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GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF LABOR & ECONOMIC GROWTH
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS
COMMISSIONER

September 16, 2005

MEMORANDUM

To: Health Care Providers, BCBSM Subscribers, Interest Groups,
and Other Interested Parties

From: Susan M. Scarane
Health Plans Division

Subject: Public Input on Blue Cross Blue Shield of Michigan's
Pharmacy Provider Class Plan

Under 1980 P.A. 350, as amended, the Nonprofit Health Care Corporation Reform Act (Act), Blue Cross Blue Shield of Michigan (BCBSM) must develop and maintain a "provider class plan" for each type of health care provider that provides services to BCBSM subscribers. A provider class plan must include a description of the reimbursement arrangement used by BCBSM to pay providers; measurable objectives for meeting the access, quality of care, and cost goals specified by Section 504 of the Act; and, in the case of those providers with which BCBSM contracts, a copy of the provider contract. Each plan must also show how BCBSM proposes to balance the goals stated above.

Attached is a copy of Order No. 05-045-BC, dated September 15, 2005, providing notice of intent to make a determination on the pharmacy provider class plan, pursuant to Section 509(2) of the Act. Included with the order is a copy of the pharmacy provider class plan filed on January 21, 1997 and the modifications to the pharmacy provider class plan filed by BCBSM on August 30, 2005.

Section 505(2) of the Act requires that the Commissioner of Insurance establish a procedure to gain input into the review and development of provider class plans prepared by BCBSM. Attachment A to the Order For Notice of Intent to Review contains a list of questions pertaining to the pharmacy provider class plan. We would appreciate any comments you may have with respect to these questions or any other matters concerning the pharmacy provider class plan. Written testimony will be accepted through December 12, 2005, when mailed, faxed or e-mailed to:

Office of Financial and Insurance Services
Health Plans Division
Attention: Susan M. Scarane
P. O. Box 30220
Lansing, MI 48909
Fax: (517) 241-4168
E-mail: smscara@michigan.gov

BCBSM is required to file an annual report for each provider class with the Commissioner of Insurance regarding the level of achievement of the above-mentioned goals. Pursuant to Section 517 of the Act, these reports need to include the data necessary to make a determination of BCBSM's compliance or noncompliance with the goals and compliance with objectives contained in each provider class plan. A copy of BCBSM's 2003-2004 annual report for the pharmacy provider class is available at the OFIS website at www.michigan.gov/ofis, or you may obtain a copy of the report by contacting Kathy LaFleur at (517) 241-4549.

If you prepare and distribute a newsletter or other publication, I would ask that you include information about the opportunity to provide written testimony on BCBSM's pharmacy provider class plan in any such publication for the benefit of your readership. All of the enclosed written materials are available at the OFIS website at www.michigan.gov/ofis. Thank you for your assistance in this regard.

If you have any questions regarding the above referenced matter please contact me at (517) 335-2052.

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner

In the matter of notice of intent to make a
determination with respect to the Pharmacy
Provider Class Plan of Blue Cross Blue
Shield of Michigan pursuant to Section
509(2) of 1980 P. A. 350

No. 05-045-BC

Issued and entered
this 15th day of September 2005
by Linda A. Watters
Commissioner

**ORDER FOR NOTICE OF
INTENT TO REVIEW**

I

BACKGROUND

Section 509(1) of 1980 P. A. 350, as amended (Act), being MCLA 550.1101 et seq.; MSA 24.660 (101) et seq., allows the Commissioner of Insurance and Financial Services (Commissioner) to determine whether the arrangements Blue Cross Blue Shield of Michigan (BCBSM) has established with health care providers have substantially achieved the cost, access and quality of care goals set forth in the Act.

The Commissioner is required to evaluate enough BCBSM provider class plans to account for at least 75% of the corporation's provider payments during a 3-year period. The latest 3 year period began on January 1, 2004 and ends December 31, 2006. The Commissioner intends to review the provider class plan for pharmacy at this time.

Section 509(2) of the Act requires the Commissioner to give written notice to BCBSM, and to each person who has requested a copy of such notice, of her intent to make a determination with respect to the provider class plans filed by BCBSM. Section 509(2) grants the Commissioner six months in which to reach her determinations.

Provider Class Plans

Page 2

Section 505(2) of the Act requires the Commissioner to establish and implement procedures whereby any person, including a subscriber, may offer advice and consultation on the development, modification, implementation, or review of provider class plans.

In addition to the requirement to gain input on the review and development of provider class plans, there is need to establish an accurate record of the comments presented to the Commissioner. The record can then serve as part of the basis for the determinations that will be made by the Commissioner with regard to BCBSM's achievement of the goals of Section 504.

II

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon the foregoing considerations, it is FOUND and CONCLUDED that:

1. Pursuant to Section 509(2) of the Act, the Commissioner shall give written notice to BCBSM, and to each person who has requested a copy of such notice, that she intends to make a determination with respect to a particular provider class plan. The Commissioner shall have 6 months in which to reach a determination.
2. Pursuant to Section 505(2) of the Act, the Commissioner must establish a procedure to gain input into the review and development of provider class plans prepared by BCBSM. The statute is silent as to the method chosen by the Commissioner to fulfill this responsibility.
3. The procedure established by the Commissioner should facilitate the presentation of information by any person and encourage input.

III

ORDER

Therefore, it is ORDERED that:

1. A determination shall be made with respect to the pharmacy provider class plan. The evaluation period shall include calendar years 2003 and 2004. A determination with respect to the pharmacy provider class plan will be made by March 15, 2006.
2. This order shall serve as notice of intent to make a determination with respect to the above stated provider class plan pursuant to Section 509(2) of the Act.

Provider Class Plans
Page 3

3. Questions of interest pertaining to the pharmacy provider class plan are included in Attachment A. Pursuant to Section 505(2), written comments will be accepted with regard to these questions or any other matters concerning the pharmacy provider class plan through December 12, 2005, when mailed, faxed or e-mailed to:

Office of Financial and Insurance Services
Health Plans Division
Attention: Susan M. Scarane
P. O. Box 30220
Lansing, MI 48909
Fax: (517) 241-4168
E-mail: smscara@michigan.gov

The Commissioner retains jurisdiction of the matters contained herein and the authority to enter such further Order or Orders, as she shall deem just, necessary, and appropriate.

Linda A. Watters
Commissioner

**BLUE CROSS BLUE SHIELD OF MICHIGAN
PHARMACY PROVIDER CLASS PLAN
QUESTIONS OF INTEREST
SEPTEMBER 15, 2005**

ACHIEVEMENT OF STATUTORY GOALS

The Office of Financial and Insurance Services needs to answer the questions outlined below to determine whether Blue Cross Blue Shield of Michigan's (BCBSM) provider contracts and reimbursement arrangements for pharmacies have met the access, quality and cost goals specified in Section 504 of the Act.

1. Does BCBSM have participation agreements with an appropriate number of pharmacies throughout Michigan to assure that each subscriber has access to covered services?
2. Has BCBSM established and maintained reasonable standards of health care quality for participating pharmacies?
3. Do the reimbursement arrangements for pharmacies assure that the rate of change in BCBSM payment per member to those providers is not higher than the compound rate of inflation and real economic growth?

The Commissioner needs to consider the overall balance of the goals achieved by BCBSM under the pharmacy provider class plan. Weight is to be given to each of the 3 statutory goals so that one goal is not focused independently of the other statutory goals. Comments on how achievement of these goals can best be measured and evaluated will assist the Commissioner in making a determination.

ACHIEVEMENT OF BCBSM'S OBJECTIVES

BCBSM must include objectives in each provider class plan. These are expected achievement levels for the goals of reasonable access, cost and quality of health care services. The Office of Financial and Insurance Services needs to also determine whether BCBSM has achieved the objectives contained in the pharmacy provider class plan and how the objectives relate to the statutory goals. Comments regarding the appropriateness and importance of BCBSM's objectives will assist the Office of Financial and Insurance Services in making these determinations.

A. ACCESS:

The BCBSM access objective in the pharmacy provider class plan under review is:

BCBSM – Pharmacy Provider Class Plan
Questions of Interest
Page 2

- To ensure adequate availability of high quality pharmacy services, throughout the state, at a reasonable cost to BCBSM subscribers.

BCBSM has set the following initiatives toward achieving its access objective:

- o Pharmacies may participate on a formal basis by signing the Pharmacy Participation Agreement. BCBSM will give all eligible providers the opportunity to participate.
- o The formal participation agreement governing pharmacy services establishes guidelines that hold BCBSM subscribers harmless from: payments in excess of established copayments and deductibles, except when MAC applies and the member requests the brand name drug product; payments in excess of the BCBSM approved amount for covered services where the copayment exceeds the reimbursement amount; financial obligation for covered services provided but not billed to BCBSM within the period specified in the Pharmacy Participation Agreement.
- o Pharmacies will be subject to audit, drug utilization review and utilization management programs. BCBSM will strive to ensure that services rendered to subscribers are within the scope of the provider's specific license and are performed in compliance with professional standards and established practice protocols.

What types of information and data should the Office of Financial and Insurance Services examine to determine whether or not BCBSM has met its access objective?

Would meeting BCBSM's access objective be sufficient to assure that cost effective, quality services provided by pharmacy providers are available, throughout the state, to BCBSM subscribers?

B. QUALITY OF CARE:

The BCBSM objective in the pharmacy provider class plan under review is:

- To ensure the provision of quality care to BCBSM subscribers through the application of participation qualifications and performance standards as a basis for pharmacy participation.

BCBSM has set the following initiatives toward achieving its quality of care objective:

- o All pharmacies licensed in the state of Michigan that meet BCBSM's eligibility standards may sign a formal participation agreement with BCBSM and participate in the Traditional Prescription Drug Program. BCBSM's eligibility requirements include

BCBSM – Pharmacy Provider Class Plan
Questions of Interest
Page 3

a Drug Enforcement Agency (DEA) registration, sufficient liability insurance as described in the Pharmacy Participation Agreement, and any other eligibility qualification that supports the P.A. 350 goals of cost, access and quality of care.

- o Formal participation for pharmacies is contingent upon BCBSM's acceptance of qualifications and professional standards. These standards may include, but are not limited to: satisfaction of licensure; absence of inappropriate utilization or practices that are not included in applicable standards and established practice protocols. These practice patterns are identified through proven subscriber complaints, professional peers, peer review, and utilization management; and, absence of fraud and illegal activities.
- o An appeals process has been established whereby participating pharmacies have the right to appeal policy or non-policy issues made by BCBSM. This process is described in the Pharmacy Participation Agreement.

What types of information and data should the Office of Financial and Insurance Services examine to determine whether BCBSM has met its quality of care objective?

Would meeting BCBSM's quality of care objectives be sufficient to assure that pharmacies actually meet and abide by reasonable standards of health care quality? Is it also necessary or desirable to consider:

1. Has BCBSM satisfactorily recognized changes that have taken place in the health care industry?
2. The ability of BCBSM to process claims in a reasonable and timely manner: Has BCBSM satisfactorily provided for a reasonable period for the implementation of policy and claims processing system changes?
3. Has BCBSM responded to the need for prompt, reasonable explanations from BCBSM regarding reimbursement issues, medical necessity determinations, audit determinations, etc.?
4. Has BCBSM established reasonable internal procedures for promptly resolving disputes?

C. COST:

BCBSM's achievement of this statutory goal is determined by the application of the cost goal formula found in Section 504 of the Act.

BCBSM – Pharmacy Provider Class Plan
Questions of Interest
Page 4

BCBSM's cost objectives in the pharmacy provider class plan under review are to:

- Strive toward limiting the increase in total pharmacy payments per member to the compound rate of inflation and real economic growth as specified in Public Act 350, giving consideration to Michigan and national health care market conditions.
- Provide equitable reimbursement to pharmacies in return for high quality services, which are medically necessary and delivered to BCBSM subscribers at a reasonable cost.

BCBSM has set the following initiatives toward achieving its cost objectives:

- o To strive toward limiting increases in total pharmacy payments per member while, at the same time, providing equitable reimbursement to pharmacies for covered services by instituting the reimbursement methods described herein.

BCBSM reimburses participating pharmacies for covered services as defined in the Pharmacy Participation Agreement. BCBSM will review pharmacy reimbursement periodically to determine if modifications are necessary. BCBSM does not warrant or guarantee that the review process will result in increased reimbursement.

- o Reimbursement Method – Participating Pharmacies: For each covered prescription drug dispensed, BCBSM will reimburse participating pharmacies the sum of the Drug Product Cost (see below), dispensing fee, minus specific subscriber copayments, plus any applicable incentive payment.

Drug Product Cost

For each covered prescription drug dispensed, BCBSM will reimburse for Drug Product Cost the lowest of discounted Average Wholesale Price (AWP), reported ingredient cost, pharmacy's retail charge, or the Maximum Allowable Cost (MAC), if applicable. For drugs defined by BCBSM as high cost drugs, the same methodology applies, through a lower discount from AWP is applied to drug product cost reimbursement. Compound drugs, which contain one or more federal legend drugs, will be reimbursed the lesser of the actual ingredient cost of all components or retail charge. Furthermore, different AWP discounts are applied to chain and non-chain pharmacies.

Chain Pharmacies

BCBSM – Pharmacy Provider Class Plan
Questions of Interest
Page 5

Chain pharmacies are defined as affiliated national pharmacies and same name pharmacies having common ownership and 15 or more Michigan locations.

Retail Charge

Retail charge is the pharmacy's charge per prescription to cash paying customers. When reimbursement is based on retail charge, BCBSM does not pay a dispensing fee.

Dispensing Fee

The dispensing fee is compensation to participating pharmacies for professional services and other costs of doing business (e.g., rent, utilities, equipment, storage, inventory, etc.). The dispensing fee is defined in the Pharmacy Participation Agreement and reviewed periodically.

Pharmacy Incentive

In addition to the dispensing fee, participating pharmacies will receive an incentive payment each time an eligible generic product, BCBSM preferred brand product, or compounded prescriptions is dispensed.

Copayment

Subscriber copayments represent the dollar amount for each prescription or refill for which the subscriber is liable. Copayments are contractually established for each subscriber group.

- o Reimbursement Method - Non-participating pharmacies: When a subscriber purchases a prescription drug from a non-participating Michigan pharmacy, the subscriber must pay that pharmacy and then submit a claim to BCBSM for reimbursement. BCBSM pays the subscriber 75% of the pharmacy's charge or BCBSM's approved amount based on Drug Product Cost, whichever is less, minus the subscriber's copayment.
- o Maximum Allowable Cost Drug Program

In 1982, BCBSM introduced the Maximum Allowable Cost (MAC) program. The program encourages the dispensing of lower cost generic drug products and helps to control prescription drug costs by limiting the reimbursement amount for a list of

BCBSM – Pharmacy Provider Class Plan

Questions of Interest

Page 6

selected drugs. The MAC rider, developed in conjunction with MAC pricing for pharmacies, is sold as an optional rider to the Traditional Rx program.

When a MAC entity is dispensed, BCBSM will reimburse the pharmacy as described under the above reimbursement method. However, if the prescriber expressly prohibits the dispensing of a generic drug product by indicating on the prescription “Dispense As Written” (DAW), BCBSM will reimburse the pharmacy the lowest of: 1) the applicable discount from AWP; 2) reported ingredient cost; or 3) the pharmacy’s retail charge. For BCBSM subscribers with the MAC rider, if the subscriber requests a brand or drug whose price exceeds the MAC limit, then the subscriber is responsible for paying to the pharmacy the difference between the MAC payment level and BCBSM’s approved amount for the drug dispensed (in addition to any applicable copayment amount).

- o Formulary

BCBSM maintains a prescription drug formulary that prescribers may refer to when prescribing medications. The formulary provides a list of quality and cost effective therapeutic prescription drug alternatives. BCBSM encourages pharmacists to reasonably promote formulary alternatives to prescribers and members in an effort to prevent unnecessary hospitalizations and/or other related medical costs.

- o Participation

Pharmacies may participate with BCBSM on a formal basis only, by signing a participation agreement. Under this arrangement, the provider receives all contract benefit payments directly. Where a difference between provider charges and BCBSM payments exists, no additional amount may be billed to the patient. Subscribers are liable, however, for any copayments and deductibles specified in their contracts.

- o Utilization Management

Pharmacies will be subject to audit, drug utilization review and utilization management programs. BCBSM will strive to ensure that only those services deemed by BCBSM to be within the scope of the pharmacy’s specific license are rendered to subscribers.

BCBSM – Pharmacy Provider Class Plan
Questions of Interest
Page 7

o Appeals Process

An appeals process has been established whereby participating pharmacies have the right to appeal claim adjudication or audit determinations made by BCBSM. The appeals process is described in the Pharmacy Participation Agreement.

The Office of Financial and Insurance Services examines existing cost, utilization and communication patterns, the appropriateness of BCBSM's reimbursement arrangements with providers and the overall impact of access and quality of care concerns on cost goal achievement as part of the review process. Comments on the appropriateness of BCBSM's reimbursement arrangements with pharmacies, focusing on whether or not such reimbursement arrangements assure a rate of change in BCBSM payment per member that is not higher than the compound rate of inflation and real economic growth, would be welcome.



A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

Pharmacy Provider Class Plan

TABLE OF CONTENTS

PROVIDER CLASS	1
Definition	1
Scope of Services	1
PA 350 GOALS AND OBJECTIVES	2
Cost Goal	2
Access Goal	3
Quality of Care Goal	3
BCBSM POLICIES AND PROGRAMS.....	4
Provider Participation	4
Provider Programs	5
Reimbursement Policies.....	7
PARTICIPATION AGREEMENTS (ATTACHED)	13

PROVIDER CLASS

A provider class may include health care facilities or health care professionals who have a contract or reimbursement arrangement with BCBSM to render services to BCBSM's members. Qualification standards and the scope of services for which reimbursement will be made may differ for the types of providers within a provider class.

Definition

This plan is composed of retail pharmacies licensed by the state of Michigan.

BCBSM's mail order pharmacy program is also included in this provider class. These pharmacies may be located outside of Michigan.

Scope of Services

Pharmacies dispense the following: "Rx only" drugs and state-controlled drugs; injectable insulin; disposable syringes and needles when dispensed with insulin or with a chemotherapeutic drug; and compound drugs containing at least one "Rx only" drug.

BCBSM's mail order drug program is offered to customers as an option. Eligible members can obtain up to a 90 day supply of prescription drugs by mail instead of the standard 34-day supply dispensed at a local pharmacy.

PA 350 GOALS AND OBJECTIVES

Cost Goal

"Providers will be subject to reimbursement arrangements that will assure a rate of change in the total corporation payment per member to each provider class that is not higher than the compound rate of inflation and real economic growth." The goal is derived through the following formula:

$$\left(\frac{(100 + I) * (100 + REG)}{100} \right) - 100$$

Where "I" means the arithmetic average of the percentage changes in the implicit price deflator for gross domestic product over the two calendar years immediately preceding the year in which the commissioner's determination is being made; and,

Where "REG" means the arithmetic average of the percentage changes in the per capita gross domestic product in constant dollars over the four calendar years immediately preceding the year in which the commissioner's determination is being made.

Objectives

1. Strive toward meeting the cost goal within the confines of Michigan and national health care market conditions.
2. Provide equitable reimbursement to participating providers through the reimbursement methodology outlined in the participation agreement.

Access Goal

"There will be an appropriate number of providers throughout this state to assure the availability of certificate-covered health care services to each subscriber."

Objectives

1. Provide direct reimbursement to participating providers who provide covered drugs and high-quality services to BCBSM members.
2. Communicate with participating providers about coverage determinations, billing, benefits, provider appeals processes, BCBSM's record keeping requirements and the participation agreement and its administration.

Quality of Care Goal

"Providers will meet and abide by reasonable standards of health care quality."

Objectives

1. Ensure BCBSM members receive quality care by requiring participating providers to meet BCBSM's qualification and performance standards.
2. Meet with the Pharmacy Advisory Committee on an ongoing basis.
3. Meet with specialty liaison societies to discuss issues of interest and concern as necessary.
4. Maintain and update, as necessary, an appeals process that allows participating providers to appeal individual claims disputes and disputes regarding utilization review audits.

BCBSM POLICIES AND PROGRAMS

BCBSM maintains a comprehensive set of policies and programs that affect its relationship with health care providers. These policies and programs are designed to help BCBSM meet the PA350 goals and objectives by limiting cost, maintaining accessibility, and ensuring quality of health care services to its members. To that extent, the following policies and programs may, individually or in combination, affect achievement of one or more of the PA 350 goals. BCBSM annually reports its performance against the goals and objectives for each provider class plan.

Provider Participation

Providers may formally participate with BCBSM or, with respect to some provider classes, providers may participate on a per-claim basis. To formally participate, providers must sign a participation agreement with BCBSM that applies to all covered services the provider renders to BCBSM members. To participate on a per-claim basis, providers must indicate on the claim form that they are participating for the services reported.

Participation Policy

Participation for pharmacies is on a formal basis only, which means there is no per-claim participation. In order to participate, pharmacies agree to meet BCBSM's qualification standards, abide by BCBSM policies and accept BCBSM reimbursement as payment in full for all covered services provided to BCBSM members, except for copayments and deductibles specified in the members' certificates. Covered services received from nonparticipating pharmacies are payable to the member at a lesser rate, minus the member's copayment. Covered services received from nonparticipating mail-order providers are not reimbursed.

Qualification Standards

RETAIL PHARMACIES

All qualified pharmacies may apply for participation. Standards for formal participation may include, but are not limited to:

- ◆ A current Michigan license as a pharmacy
- ◆ A current Drug Enforcement Agency (DEA) registration
- ◆ Sufficient liability insurance as described in the Pharmacy Participation Agreement
- ◆ Absence of inappropriate utilization or practice patterns as identified through proven subscriber complaints, peer review and utilization management

- ◆ Absence of fraud and illegal activities

BCBSM may deny participation with pharmacies that do not meet or maintain these qualification standards.

MAIL ORDER PHARMACIES.

The mail order program provider is required to comply with all applicable legal and regulatory requirements governing its mail order operations. Standards for formal participation may include, but are not limited to:

- ◆ A current license as a pharmacy in the state the pharmacy is located
- ◆ A current Drug Enforcement Agency (DEA) registration
- ◆ Sufficient liability insurance
- ◆ Fiscal soundness
- ◆ Absence of inappropriate utilization or practice patterns as identified through proven subscriber complaints, peer review and utilization management
- ◆ Absence of fraud and illegal activities

Departicipation/Termination Policy

A departicipation policy allows BCBSM to departicipate a retail pharmacy after review and recommendation for departicipation by the BCBSM Audit and Investigations Subcommittee. This policy is described further in Article VII of the attached Traditional Rx Pharmacy Participation Agreement.

Termination of the mail order vendor agreement may occur by either BCBSM or the vendor under the terms and conditions specified in Article V of the Pharmacy Benefit Manager Master Agreement.

Provider Programs

BCBSM strives to ensure that members receive appropriate and quality care through a combination of provider communications, education, and quality assurance programs.

Communications and Education

BCBSM provides the following resources to communicate with and educate retail pharmacists:

- ◆ The Pharmacy Advisory Committee is committed to providing ongoing support to the provider community. The committee meets on an ongoing basis, generally at least quarterly, to offer advice and consultation on topics such as: pharmacy programs, specific prescription drugs, proposed modifications to the contract, administrative issues which may arise under the contract and reimbursement issues.
- ◆ *The Record*, a monthly BCBSM publication that communicates current information regarding billing guidelines, policy changes and other administrative issues.
- ◆ The *Guide for Pharmacists* provides information on how to do business with BCBSM explains billing, benefits, provider appeals processes, managed care, BCBSM's record keeping requirements and the pharmacy participation agreements and their administration. BCBSM maintains and updates this manual as necessary.
- ◆ Continuing medical education seminars when necessary.
- ◆ The liaison process which provides a forum in which specialty societies can bring issues of concern to BCBSM's attention as necessary. The process can include meetings with specialty societies as well as contact with BCBSM representatives by telephone or e-mail.
- ◆ A provider inquiry toll-free hot line this is available to assist providers.

Formulary

BCBSM maintains a prescription drug formulary that prescribers may refer to when prescribing medications. The formulary provides a list of quality and cost effective therapeutic prescription drug alternatives. BCBSM encourages pharmacists to reasonably promote formulary alternatives to prescribers and members.

Co-branded Formulary Program

In this program, co-branded drugs are designated as "preferred" and "non-preferred." When dispensing brand name drugs that are co-branded, participating providers are required to fill a member's prescription with the drug identified as "preferred" by BCBSM, unless the prescriber obtains pre-authorization from BCBSM for the "non-preferred" drug.

BCBSM will pay the pharmacy the approved amount for the preferred co-branded drug, less the member's copayment. If the prescription is filled with a non-preferred co-branded drug, the member must pay the full cost of the drug, unless the prescribing physician requests and obtains authorization for the non-preferred drug from BCBSM.

Performance Monitoring

- ◆ Audits, drug utilization review and utilization management programs ensure services rendered to subscribers are within the scope of the provider's license and are performed in compliance with professional standards and established practice protocols.

- ◆ Suspected fraudulent activity, reported to BCBSM by providers, members or BCBSM staff, is referred to Corporate and Financial Investigations for further investigation. If fraud or illegal activities are confirmed, BCBSM will report such providers to the appropriate state or federal authorities.

Appeals Process

BCBSM's appeals process allows pharmacies the right to appeal adverse claim decisions and utilization review audit determinations as described in Addendum A of the Traditional Rx Pharmacy Participation Agreement.

BCBSM also provides an appeals process for its mail order provider under which all claims controversies and disputes between the parties will be handled through arbitration. This is described in Article 13 of the Pharmacy Benefit Master Agreement.

Reimbursement Policies

Covered Services

Pharmacies are reimbursed for dispensing "Rx only" and state-controlled drugs, injectable insulin, disposable syringes and needles when dispensed with insulin or with a chemotherapeutic drug and compound drugs containing at least one "Rx only" drug.

Reimbursement Methods

RETAIL PHARMACIES

Retail pharmacies are categorized as either chain pharmacies or independent pharmacies. For purposes of this plan, chain pharmacies are affiliated national pharmacies and same name pharmacies having common ownership and fifteen or more Michigan locations. Same name pharmacies with a border location are excluded, unless these pharmacies have more than fifteen commonly owned Michigan locations. Independent pharmacies are pharmacies that do not fit the definition of chain pharmacies.

BCBSM reimburses participating chain and independent pharmacies for covered services as defined in the Pharmacy Participation Agreement based on the following formula:

The sum of the drug product cost plus dispensing fee minus any specific member copayment plus any applicable incentive payment.

The BCBSM approved amount is the sum of the drug product cost and the dispensing fee.

Drug Product Cost

BCBSM will reimburse drug product cost as follows:

- ◆ Reimbursement for prescription drugs included in BCBSM's Maximum Allowable Cost list will be the lowest of the MAC payment level, the discounted average wholesale price, the reported ingredient cost, or the pharmacy's retail charge.
- ◆ For drugs defined by BCBSM as high cost drugs, the same methodology applies, though a lower discount from the AWP is applied to drug product cost reimbursement.
- ◆ Compound drugs, which contain one or more "Rx only" drugs, will be reimbursed the lesser of the actual ingredient cost of all components or the pharmacy's retail charge.
- ◆ For all other covered services, reimbursement will be the lesser of the discounted AWP, the reported ingredient cost, or the pharmacy's retail charge.

Different AWP discounts are applied to chain and independent pharmacies. Please refer to the two separate Schedule A's of the Traditional Rx Pharmacy Participation Agreements which describe the reimbursement methodologies for chain and independent pharmacies.

Average Wholesale Price

Average wholesale price means the average wholesale price of a prescription drug or other pharmaceutical product on the date the order is dispensed as reflected by the information contained in BCBSM's drug claim processing system on the date the claim is processed. AWP on the drug claim processing system will be updated based on information received no less frequently than weekly from First Data Bank, as published in the Blue Book, or, at BCBSM's discretion, another nationally recognized source.

Retail Charge

Retail charge is the pharmacy's charge per prescription to cash paying customers, notwithstanding the billing terminology associated with such charge. Any retail charge specific to certain demographic groups will apply to similar BCBSM enrollees. When reimbursement is based on retail charge, BCBSM does not pay a dispensing fee.

Dispensing Fee

The dispensing fee compensates participating pharmacies for professional services and other costs of doing business (e.g., rent, utilities, equipment, storage, inventory, etc.). The dispensing fee is identified in the Traditional Rx Pharmacy Participation Agreements and is reviewed periodically.

Pharmacy Incentive

In addition to reimbursement for drug product cost and the dispensing fee, participating pharmacies may receive an incentive payment for:

- all generic drugs, excluding products where BCBSM has determined that the generic drug may not be the equivalent to a brand name drug
- compound prescriptions
- a subset of brand-name drugs that BCBSM has specifically identified within its formulary as eligible for the incentive.

Copayment

Member copayments represent the amount for each covered service or refill for which the member is liable. Copayments are determined by the group or individual purchasing coverage.

Nonparticipating Pharmacies

When a member purchases a prescription drug from a nonparticipating pharmacy, the member must pay that pharmacy and then submit a claim to BCBSM for reimbursement.

For covered drugs obtained in the United States, BCBSM pays the subscriber 75 percent (100 percent for emergency pharmacy services) of the pharmacy's charge minus the member's copayment.

For covered drugs obtained outside of the United States, BCBSM will reimburse the subscriber for the approved amount, minus the member's copayment.

Maximum Allowable Cost Drug Programs

BCBSM's Maximum Allowable Cost programs encourage pharmacies to dispense lower-cost generic drugs and help to control prescription drug costs by limiting the reimbursement amount for selected drugs for which a generically equivalent drug is available at a lower cost. The MAC riders are sold as optional riders to the Traditional Rx program. There are two aspects of the MAC program: regular MAC and mandatory MAC.

When a MAC drug is dispensed, BCBSM will reimburse the pharmacy as described above. However, if a BCBSM member requests a brand drug whose price exceeds the MAC payment level, then the member is responsible for paying the pharmacy the difference between the MAC payment level and BCBSM's approved amount for the drug dispensed plus any applicable copayment amount.

For BCBSM members with the regular MAC program, if the prescriber indicates "Dispense As Written" or "DAW" on the prescription, BCBSM will reimburse the pharmacy the lowest of: (1) the discounted AWP for the brand drug; (2) reported ingredient cost; or (3) the pharmacy's retail charge, minus the member's copayment.

Under the mandatory MAC program, if the prescriber indicates "Dispense As Written" or "DAW" on the prescription but does not get authorization from BCBSM for the brand name drug, BCBSM will reimburse the pharmacy the MAC payment level minus the member's copayment. The member must pay the difference between the MAC payment level and BCBSM's approved

amount for the drug dispensed plus any applicable copayment amount. If the prescriber requests and receives authorization for a brand name drug from BCBSM's pharmacy services department, BCBSM will reimburse the pharmacy the lowest of (1) the discounted AWP for the brand drug; (2) reported ingredient cost; or (3) the pharmacy's retail charge, minus the member's copayment.

MAIL ORDER PHARMACIES

BCBSM reimburses participating mail order pharmacies for covered mail order brand name and generic drugs using the following formula:

The lesser of the discounted average wholesale price or the submitted ingredient cost, plus a dispensing fee, minus any specific member copayment.

The BCBSM approved amount is the lesser of discounted average wholesale price or the submitted ingredient cost, plus the dispensing fee.

The discount for generic drugs exceeds the discount for brand name drugs. Reimbursement for drugs specified as high cost drugs in the Pharmacy Benefit Manager Master Agreement will be paid under the above methodology, although a different discount from AWP is applied.

For plans without a mandatory mail service benefit design, the discount from AWP may be improved to reward increases in mail service penetration as defined in the Pharmacy Benefit Manager Master Agreement addendum.

Average Wholesale Price

Average wholesale price is the average wholesale price of a prescription drug or other pharmaceutical product on the date of service on the claim, as set forth in the version of First Data Bank, as published in the Blue Book (or other nationally recognized source as agreed to by the parties) in print on the service date, notwithstanding any retroactive price changes. The AWP will be based on 100 unit or 16 ounce quantities or the next smaller quantity if an item is not packaged in those sizes.

Dispensing Fee

The dispensing fee compensates participating pharmacies for professional services and other costs of doing business (e.g., rent, utilities, equipment, storage, inventory, etc.). The dispensing fee is defined in the Pharmacy Benefit Manager Master Agreement and is reviewed periodically. This fee may be reduced to reward increases in mail order volume and Internet refills. Specifics of this adjustment are described in the Pharmacy Benefit Manager Master Agreement addendum.

Copayment

Member copayments represent the amount for each covered service or refill for which the member is liable. Copayments are determined by the group or individual purchasing coverage.

Maximum Allowable Cost Drug Programs

BCBSM's Maximum Allowable Cost programs encourage pharmacies to dispense lower-cost generic drugs and help to control prescription drug costs by limiting the reimbursement amount for selected drugs for which a generically equivalent drug is available at a lower cost. The MAC riders are sold as optional riders to the Traditional Rx program. There are two aspects of the MAC program: regular MAC and mandatory MAC.

When a MAC drug is dispensed, BCBSM will reimburse the pharmacy as described above. However, if a BCBSM member requests a brand drug whose price exceeds the MAC payment level, then the member is responsible for paying the pharmacy the difference between the MAC payment level and BCBSM's approved amount for the drug dispensed plus any applicable copayment amount.

For BCBSM members with the regular MAC program, if the prescriber indicates "Dispense As Written" or "DAW" on the prescription, BCBSM will reimburse the pharmacy lesser of the discounted AWP for the brand drug or the submitted ingredient cost, plus the dispensing fee, minus the member's copayment.

Under the mandatory MAC program, if the prescriber indicates "Dispense As Written" or "DAW" on the prescription but does not get authorization from BCBSM for the brand name drug, BCBSM will reimburse the pharmacy the lesser of the MAC price or the reported ingredient cost, plus the dispensing fee, minus the member's copayment. The member must pay the difference between the MAC payment level and BCBSM's approved amount for the drug dispensed plus any applicable copayment amount. If the prescriber requests and receives authorization for a brand name drug from BCBSM's pharmacy services department, BCBSM will reimburse the pharmacy the lesser of the discounted AWP for the brand drug or the reported ingredient cost, plus the dispensing fee, minus the member's copayment.

If BCBSM's MAC list contains drugs for which the mail order pharmacies' state law requires the brand name drug be dispensed, the brand name discount from AWP will be used if the mail order provider provides adequate documentation describing the requirement.

If a generic drug is not available in the marketplace, BCBSM will reimburse the mail order provider for the brand name product, provided that BCBSM can verify that a shortage of the generic drug exists.

Member Hold Harmless Provisions

The Traditional Rx Pharmacy Participation Agreements for chain and independent pharmacies hold BCBSM subscribers harmless from:

- ◆ Payments in excess of established copayments and deductibles, except when MAC applies and the member requests the brand name drug product
- ◆ Payments in excess of the BCBSM approved amount for covered services where the copayment exceeds the BCBSM approved amount

- ◆ Financial obligation for covered services provided but not billed within 60 days
- ◆ Amounts BCBSM denies or recovers for any reason, such as overpayment, claims processing policies, audit findings, non-compliance with professional judgement and for any amount owed to BCBSM.

Hold harmless provisions applicable to the mail order program can be found in the Pharmacy Benefit Manager Master Agreement.

PARTICIPATION AGREEMENTS (Attached)

- ◆ Traditional Rx Pharmacy Participation Agreement for Independent and Chain pharmacies and amendments
- ◆ Pharmacy Benefit Manager Master Agreement as amended and restated January 1, 2000 including addendum effective January 1, 2003

PHARMACY PROVIDER CLASS PLAN

1. COST

A. COST GOAL

The cost goal as specified under Public Act (P.A.) 350, states: "Providers will be subject to reimbursement arrangements that will assure a rate of change in the total corporation payment per member to each provider class that is not higher than the compound rate of inflation and real economic growth." The goal is derived through the following formula:

$$\left(\frac{(100 + I) * (100 + REG)}{100} \right) - 100$$

Where "I" means the arithmetic average of the percentage changes in the implicit price deflator for gross national product over the 2 calendar years immediately preceding the year in which the commissioner's determination is being made; and

Where "REG" means the arithmetic average of the percentage changes in the per capita gross national product in constant dollars over the 4 calendar years immediately preceding the year in which the commissioner's determination is being made.

B. COST OBJECTIVES

- 1) To provide equitable reimbursement to pharmacies, in return for high quality services that are delivered to Blue Cross and Blue Shield of Michigan (BCBSM) subscribers at a reasonable cost.
- 2) To strive toward limiting the increase in total pharmacy payments per member to the compound rate of inflation and real economic growth as specified in Public Act 350, giving consideration to Michigan and national health care market conditions.

C. COST INITIATIVES

1) Reimbursement Policies

Blue Cross and Blue Shield of Michigan will strive to limit increases in total pharmacy payments per member, relative to the P.A. 350 cost goal, while at the same time providing equitable reimbursement to pharmacies for covered services by instituting the reimbursement methods described herein.

1. COST (cont'd)

PHARMACY PROVIDER CLASS PLAN

C. 1) Reimbursement Policies (cont'd)

BCBSM reimburses participating pharmacies for covered services as defined in the Pharmacy Participation Agreement.

BCBSM will review Pharmacy reimbursement periodically to determine if modifications are necessary. BCBSM does not warrant or guarantee that the review process will result in increased reimbursement.

2) Reimbursement Method

a. Participating Pharmacies

For each covered prescription drug dispensed, BCBSM will reimburse participating pharmacies based on the following formula:

The sum of Drug Product Cost, as described below, Dispensing Fee, minus specific subscriber Copayment, and plus any applicable Incentive Payment.

Drug Product Cost

For covered services, BCBSM will reimburse for Drug Product Cost the lowest of discounted Average Wholesale Price (AWP), reported ingredient cost, pharmacy's retail charge, or the Maximum Allowable Cost (MAC), if applicable. For drugs defined by BCBSM as high cost drugs the same methodology applies, though a lower discount from AWP is applied to drug product cost reimbursement. Compound drugs, which contain one or more federal legend drugs, will be reimbursed the lesser of the actual ingredient cost of all components or retail charge. Furthermore, different AWP discounts are applied to chain and non-chain pharmacies. Please refer to the two separate Amendments to Schedule A of the Pharmacy Participation Agreement describing the reimbursement methodologies for chain and non-chain pharmacies.

Chain Pharmacies

For purposes of this program, chain pharmacies are defined as affiliated national pharmacies and same name pharmacies having common ownership and fifteen (15) or more Michigan locations.

1. COST (cont'd)

PHARMACY PROVIDER CLASS PLAN

C. 2) Reimbursement Method (cont'd)

Retail Charge

Retail charge is the pharmacy's charge per prescription to cash paying customers. When reimbursement is based on retail charge, BCBSM does not pay a dispensing fee.

Dispensing Fee

The dispensing fee is compensation to participating pharmacies for professional services and other costs of doing business (e.g., rent, utilities, equipment, storage, inventory, etc.). The dispensing fee is defined in the Pharmacy Participation Agreement and reviewed periodically.

Pharmacy Incentive

In addition to the dispensing fee, participating pharmacies will receive an incentive payment each time an eligible generic product, BCBSM preferred brand product, or compounded prescription is dispensed.

Copayment

Subscriber copayments represent the dollar amount for each prescription or refill for which the subscriber is liable. Copayments are contractually established for each subscriber group.

b. Non-participating Pharmacies

When a subscriber purchases a prescription drug from a non-participating Michigan pharmacy, the subscriber must pay that pharmacy and then submit a claim to BCBSM for reimbursement. BCBSM pays the subscriber 75% of the pharmacy's charge or BCBSM's approved amount based on Drug Product Cost, whichever is less, minus the subscriber's copayment.

PHARMACY PROVIDER CLASS PLAN

1. COST (cont'd)

C. 3) Maximum Allowable Cost Drug Program

In May 1982, Blue Cross and Blue Shield of Michigan introduced the Maximum Allowable Cost (MAC) program. The program encourages the dispensing of lower-cost generic drug products and helps to control prescription drug costs by limiting the reimbursement amount for a list of selected drugs. The MAC rider, developed in conjunction with MAC pricing for pharmacies, is sold as an optional rider to the Traditional Rx program.

When a MAC entity is dispensed, BCBSM will reimburse the pharmacy as described under Reimbursement Method (section C. 2 above). However, if the prescriber expressly prohibits the dispensing of a generic drug product by indicating on the prescription "Dispense As Written" (DAW), BCBSM will reimburse the pharmacy the lowest of: 1) the applicable discount from AWP; 2) reported ingredient cost; or 3) the pharmacy's retail charge. For BCBSM subscribers with the MAC rider, if the subscriber requests a brand or drug whose price exceeds the MAC limit, then the subscriber is responsible for paying to the pharmacy the difference between the MAC payment level and BCBSM's approved amount for the drug dispensed (in addition to any applicable copayment amount).

4) Formulary

BCBSM maintains a prescription drug formulary that prescribers may refer to when prescribing medications. The formulary provides a list of quality and cost effective therapeutic prescription drug alternatives. BCBSM encourages pharmacists to reasonably promote formulary alternatives to prescribers and members in an effort to prevent unnecessary hospitalizations and/or other related medical costs.

5) Participation

Pharmacies may participate with BCBSM on a formal basis only, by signing a participation agreement. Under this arrangement, the provider receives all contract benefit payments directly. Where a difference between provider charges and BCBSM payments exists, no additional amount may be billed to the patient. Subscribers are liable, however, for any copayments and deductibles specified in their contracts.

1. COST (cont'd)

PHARMACY PROVIDER CLASS PLAN

C. 6) Utilization Management

Pharmacies will be subject to audit, drug utilization review and utilization management programs. BCBSM will strive to ensure that only those services deemed by BCBSM to be within the scope of the pharmacy's specific license are rendered to subscribers.

7) Appeals Process

An appeals process has been established whereby participating pharmacies have the right to appeal claim adjudication or audit determinations made by BCBSM. The appeals process is described in the Pharmacy Participation Agreement.

PHARMACY PROVIDER CLASS PLAN

II. ACCESS

A. ACCESS GOAL

The access goal, as specified under P.A. 350, states: "There will be an appropriate number of providers throughout this state to assure the availability of certificate-covered health care services to each subscriber."

B. ACCESS OBJECTIVE

To ensure adequate availability of high quality pharmacy services, throughout the state, at a reasonable cost to BCBSM subscribers.

C. ACCESS INITIATIVES

1) Formal Participation

Pharmacies may participate on a formal basis by signing the Pharmacy Participation Agreement. Blue Cross and Blue Shield of Michigan will give all eligible providers the opportunity to participate. Standards of qualification are outlined in the Quality of Care section of this Provider Class Plan.

2) Hold Harmless Provisions

The formal participation agreement governing pharmacy services establishes guidelines that hold BCBSM subscribers harmless from:

- payments in excess of established copayments and deductibles, except when MAC applies and the member requests the brand name drug product;
- payments in excess of the BCBSM approved amount for covered services where the copayment exceeds the reimbursement amount;
- financial obligation for covered services provided but not billed to BCBSM within the period specified in the Pharmacy Participation Agreement.

3) Utilization Management and Quality Assessment

Pharmacies will be subject to audit, drug utilization review and utilization management programs. Blue Cross and Blue Shield of Michigan will strive to ensure that services rendered to subscribers are within the scope of the provider's specific license and are performed in compliance with professional standards and established practice protocols.

PHARMACY PROVIDER CLASS PLAN

III. QUALITY OF CARE

A. QUALITY OF CARE GOAL

The quality of care goal, as specified in P.A. 350, states: "Providers will meet and abide by reasonable standards of quality health care."

B. QUALITY OF CARE OBJECTIVE

To ensure provision of quality care to BCBSM subscribers through the application of participation qualifications and performance standards as a basis for pharmacy participation

C. QUALITY OF CARE INITIATIVES

1) Qualification Standards for BCBSM Participation

All pharmacies licensed in the state of Michigan that meet BCBSM's eligibility standards may sign a formal participation agreement with BCBSM and participate in the Traditional Prescription Drug Program. BCBSM's eligibility requirements include a Drug Enforcement Agency (DEA) registration, sufficient liability insurance as described in the Pharmacy Participation Agreement, and any other eligibility qualification that supports the P.A. 350 goals of cost, access and quality of care.

2) Quality Assessment

Formal participation for pharmacies is contingent upon BCBSM's acceptance of qualifications and professional standards. These standards may include, but are not limited to:

- satisfaction of licensure requirements;
- absence of inappropriate utilization or practice patterns that are not included in applicable standards and established practice protocols. These practice patterns are identified through proven subscriber complaints, professional peers, peer review, and utilization management; and,
- absence of fraud and illegal activities.

PHARMACY PROVIDER CLASS PLAN

III. QUALITY OF CARE (cont'd)

C. QUALITY OF CARE INITIATIVES (cont'd)

3) Appeals of BCBSM Reviews

An appeals process has been established whereby participating pharmacies have the right to appeal claim adjudication or audit determinations made by BCBSM. The appeals process is described in the Pharmacy Participation Agreement.

PHARMACY PROVIDER CLASS PLAN

IV. PHARMACY PARTICIPATION AGREEMENT (Attached)

CHAIN

BLUE CROSS AND BLUE SHIELD OF MICHIGAN
TRADITIONAL Rx PHARMACY PARTICIPATION AGREEMENT

THIS AGREEMENT (Agreement) between Blue Cross and Blue Shield of Michigan (BCBSM), whose address is 27000 W. Eleven Mile Rd., Southfield, Michigan 48034 and

(Pharmacy), whose address is

ARTICLE I - DEFINITIONS

- 1.1 "Agreement" means this Agreement, as updated or amended from time to time, and any Schedules, Exhibits or Addenda attached hereto and made a part of this Agreement by reference thereto.
- 1.2 "Alternative Delivery System" means any preferred provider organization, health maintenance organization, point of service or other alternative delivery systems owned, controlled, administered or operated, in whole or in part, by BCBSM, its subsidiaries, or by any other Blue Cross and/or Blue Shield Plan.
- 1.3 "Average Wholesale Price" (AWP) means the average wholesale price of a prescription drug or other pharmaceutical product on the date the order is dispensed by the Pharmacy. The AWP may be stated by First Data Bank and published in the Blue Book or in another nationally recognized source.
- 1.4 "Certificate" means benefit plan descriptions under the sponsorship of BCBSM, or certificates and riders issued by or under its sponsorship, or benefits provided pursuant to contracts with other Blue Cross or Blue Shield Plans, either as a Control Plan or a Participating Plan, or arrangements with any employer group, including any self-funded plan, where BCBSM administers benefits; however, "sponsorship" does not include any Alternative Delivery System.
- 1.5 "Covered Services" means those federal legend prescription medications, insulin, disposable syringes with needles when dispensed with insulin, and services and pharmaceutical products specifically provided for in Certificates.
- 1.6 "Effective Date" means the date both BCBSM and Pharmacy have signed this Agreement.
- 1.7 "Member" means a person entitled by contract, on the date the Covered Service was dispensed, to receive Covered Services.
- 1.8 "Out of Panel Services" means services provided to a member of an Alternative Delivery System by a pharmacy which is not an approved panel

provider of such Alternative Delivery System at the time such services are provided.

- 1.9 **"Pharmacist Professional Judgment or Professional Judgment" means a determination made by the pharmacist that the Covered Services are dispensed in accordance with all ethical and professional standards prevailing in the pharmacy community and with Members' Certificates.**
- 1.10 **"Prescriber" means a health care professional authorized by law to prescribe federal legend drugs for treatment of human conditions. If BCBSM has statutory discretion to refuse payment for prescriptions written by any Prescribers, BCBSM may exclude such Prescribers from the above definition and deny payment for any drugs prescribed by these Prescribers.**
- 1.11 **"Pharmacy Manual" means the instructional and informational material prepared by BCBSM and supplied to Pharmacy.**

ARTICLE II - PHARMACY RESPONSIBILITY

Pharmacy will:

- 2.1 **Documents - Have and maintain all licenses and permits required by law or by BCBSM under this Agreement. BCBSM requires that Pharmacy have and maintain a Drug Enforcement Agency (DEA) registration number(s). Pharmacy will submit copies of such documents and any documents relating to Pharmacy's affiliations with other pharmacies to BCBSM upon request.**
- 2.2 **Insurance - Have and maintain appropriately funded self-insurance or be included in a group commercial professional and product liability insurance policy and an owner's or renter's policy in amounts appropriate to a prudent business person in Pharmacy's circumstance. Currently, the minimum amounts for professional/product liability coverage are one million dollars (\$1,000,000.00) per occurrence and two million dollars (\$2,000,000.00) aggregate. Pharmacy will submit evidence of insurance to BCBSM upon request.**
- 2.3 **Notification**
 - A. **Within fifteen (15) days after receipt of information, notify BCBSM in writing of any lapse, restriction, suspension, or revocation of Pharmacy's license, DEA registration number(s), or Medicaid participation status; any conviction or settlement that relates to performance of Covered Services or the provision of health care; any cancellation of required insurance; and of any other matters which materially affect performance under this Agreement, including without limitations any impairment of pharmacist's professional license.**
 - B. **As soon as possible, notify BCBSM of any changes in Pharmacy's business which may have a direct impact on the quality of or Pharmacy's ability to provide Covered Services. Business changes include changes in ownership, name, location, business structure, range of services offered, bankruptcy proceedings, and pharmacy business termination.**

However, notwithstanding compliance with any notice requirements, notice is informational and does not guarantee continued participation. Participation requires that Pharmacy continue to meet the requirements of this Agreement.

- 2.4 Pharmacy Manual - **Follow the Pharmacy Manual and all other BCBSM communications stating requirements pertaining to this Agreement.**
- 2.5 Covered Services
 - A. **Provide Covered Services in conformance with all provisions of this Agreement.**
 - B. **Dispense prescription drugs in conformance with all applicable state, local, and federal laws and regulations; with Pharmacist Professional Judgment; with all ethical standards prevailing in the pharmacy community; and with all BCBSM reimbursement policies and Program requirements.**
 - C. **Dispense the quantity of medication indicated on the prescription order, up to a maximum of 34 days' supply per prescription/refill, or as otherwise specified in Certificates.**
 - D. **Provide Covered Services to Members with the same quality and in the same manner as to Pharmacy's other customers and without any prohibited discrimination.**
 - E. **Use best efforts to obtain or to assist Member in obtaining prescribed medications, including high cost/high tech Covered Services not routinely stocked.**
 - F. **Use Professional Judgment in determining whether drug contraindications/adverse reactions may exist and whether the drug therapy prescribed exceeds acceptable norms. In such situations, Pharmacy must contact the Prescriber to verify the prescription information prior to dispensing and document the results of the Prescriber interaction in terms of the necessity and appropriateness for dispensing the prescription as written. This documentation must be maintained for audit purposes.**
- 2.6 Formulary - **Make reasonable efforts to educate Members and Prescribers on the benefits of following BCBSM's formulary.**
- 2.7 Cooperation - **Cooperate with all claims submission requests, pharmacy reviews, quality assurance audits and teams, and utilization review audits and comply with BCBSM determinations and corrective action plans, subject to Pharmacy's rights under Article VII.**
- 2.8 Claims
 - A. **Submit claims for Covered Services, including claims for Covered Services where the copayment is equal to or greater than BCBSM's**

reimbursement, and any documentation requested in relation to such claims. Pharmacy may only submit claims for Covered Services provided at participating locations and must submit such claims electronically to BCBSM or its designated processor via the on-line pharmacy point-of-contact claims processing system. Claims must be submitted within sixty (60) days from date of dispensing.

- B. To be reimbursed, all claims must be complete and accurate, the prescription must be signed or called in by the Prescriber and received by the Member, and no charge for submission may be made to either BCBSM or Member.
- C. Promptly notify BCBSM of any overpayments.

2.9 Reimbursement

- A. Look only to BCBSM for reimbursement and accept BCBSM's reimbursement as payment in full for Covered Services provided during the term of this Agreement. See Item 3.2 for BCBSM reimbursement and Item 2.9-B, C, D and E for Member payment responsibility.

Pharmacy will not require Members to pay any amounts BCBSM denies or recovers for any reason, including but not limited to overpayment, BCBSM's claims processing policies, audit findings, non compliance with Professional Judgment, claims submitted to and rejected by BCBSM due to expiration of the sixty (60) day period, and for any amount owed to Pharmacy by BCBSM.

- B. Collect from Members the full amount for any copayments and deductibles relating to Covered Services. Note: Disposable syringes are not subject to copayments when dispensed with insulin or an antineoplastic agent.
- C. For all Members that have the MAC Rider, also collect the difference between BCBSM's approved amount for the brand-name drug and the MAC payment level if the Member requests a brand-name drug and the Prescriber did not require "Dispense as Written;" however, in total, no more will be collected than BCBSM's approved amount as determined by the on-line processing system.
- D. Charge Member only the BCBSM approved amount for the Covered Service when the copayment exceeds the BCBSM approved amount.
- E. Pharmacy may also charge Members for any services that are not Covered Services.
- F. Pharmacy shall not be reimbursed pursuant to this Agreement for any Out of Panel Services provided to any Member of an Alternative Delivery System. Any payment for Out of Panel Services dispensed to such a Member is a matter between the Pharmacy and the Member.

- 2.10 **Member Notice - Upon termination and prior to providing Covered Services, Pharmacy will notify Members who are Pharmacy's customers that Pharmacy is no longer participating with BCBSM.**
- 2.11 **Records - Develop and utilize accurate records of all matters relating to obligations under this Agreement. Records must include pharmacy records describing services rendered and related financial records. These records must be kept for five (5) years from the date of performance of the last Covered Service, be in writing, comply with any legal standards, generally accepted business and professional standards, and Agreement standards, and be available to BCBSM without charge.**

No record may be released by Pharmacy, except to BCBSM/agent, without Member's prior permission, except as required by law.

- 2.12 **Access**
- A. **Allow BCBSM representatives reasonable access to the pharmacist and the premises to: inspect equipment and space relating to provision of Covered Services; to perform utilization and quality reviews and financial audits; and to duplicate records. Access to premises is without charge.**
 - B. **Make Member records and related information available as BCBSM deems necessary to administer this Agreement. Records must also be promptly available when a Member transfers to another Pharmacy.**
- 2.13 **Coordination of Benefits - Assist BCBSM in coordinating benefits and subrogation rights by obtaining from Members specified information regarding third-party liability.**
- 2.14 **Successor in Interest - Upon transfer of at least one-half Pharmacy's pharmacy business assets, Pharmacy will provide a signed agreement from the successor stating that successor assumes liability for any amounts Pharmacy may owe but has not paid to BCBSM under this Agreement, and upon determination by BCBSM that reasonable grounds exist to question Pharmacy's ability to pay any amounts it may owe under this Agreement, Pharmacy will establish an escrow account or a Letter of Credit in an amount satisfactory to BCBSM.**
- 2.15 **Provider Identification Number (PIN) - Recognize that the PIN number issued by BCBSM may not be sold or transferred.**
- 2.16 **Successor Participation - Upon sale or other transfer of Pharmacy's pharmacy business, Pharmacy must inform the successor Pharmacy in writing that there is no guarantee that BCBSM will accept successor as a participant under this Agreement.**
- 2.17 **Publication - Permit BCBSM to publish the name and appropriate identifying information of Pharmacy. At BCBSM's request, Pharmacy will review such materials and promptly inform BCBSM of any changes relating to name(s) and identifying information.**

ARTICLE III - BCBSM RESPONSIBILITY

BCBSM will:

3.1 General Administration

- A. **Perform enrollment, reimbursement, accounting and other similar functions; and establish participation requirements and status of Pharmacy.**
- B. **Make available Member eligibility, coverage, exclusion, and reimbursement information without charge. This information is provided by BCBSM as a service and is not a guarantee of payment.**
- C. **Issue Identification Cards or other information indicating Member enrollment in the Program.**
- D. **Provide the Pharmacy Manual and any other BCBSM communications that affect Pharmacy's participation.**
- E. **Give Pharmacy thirty (30) days prior written notice of material changes in reimbursement or Covered Services. Other changes will be effective with notice.**

3.2 Reimbursement - **Reimburse Pharmacy no less than biweekly for Covered Services in accordance with the reimbursement in effect on the date of dispensing. See Schedule A. BCBSM will review Pharmacy reimbursement at least annually to determine if modifications are necessary. BCBSM does not warrant or guarantee the review process will result in increased reimbursement.**

ARTICLE IV - MUTUAL RESPONSIBILITY

Both parties will:

- 4.1 **Independent Contractor - Perform as independent contractors.**
- 4.2 **Confidentiality - Acknowledge that it is necessary to exchange information under this Agreement and will treat any information provided to one another as confidential and/or proprietary, and not use or disclose such information except as permitted under this Agreement or as required by law.**
- 4.3 **Publication - Neither party may use information identifying the other party or the Program without prior written consent, except as otherwise provided under this Agreement. Upon termination of this Agreement, all use will cease as soon as reasonably possible.**
- 4.4 **Exclusivity - Recognize that this Agreement is not exclusive and that both parties may contract with other parties for services. BCBSM makes no representations that Pharmacy will receive additional customers under this Agreement.**

- 4.5 **Responsibility - Be responsible for their own negligent acts and omissions under this Agreement. Pharmacy will defend and hold BCBSM harmless against any negligent acts or omissions in relation to BCBSM Members. BCBSM will defend and hold Pharmacy harmless from any claims or litigation brought by Members asserting BCBSM breach of the BCBSM Confidentiality Policy.**

ARTICLE V - AUDITS AND RECOVERY

5.1 Audits

- A. **Notwithstanding Pharmacy's ownership of Member records, BCBSM or its agent may, upon prior notification, perform audits at reasonable times.**
- B. **Audits include standard BCBSM review of pharmacy billing and financial records related to Covered Services. Continued participation may be affected by Pharmacy's performance, including quality and utilization reviews conducted under all BCBSM programs.**
- C. **Audits will be conducted pursuant to BCBSM's standard business practices; however, except for cases of fraud, audits will include only those claims paid within the previous three (3) years.**

5.2 Recovery

- A. **BCBSM reserves the right to recover amounts paid for services not meeting applicable benefit criteria. BCBSM may also recover any overpayments for services: not verified through Pharmacy's records; not received by the Member; furnished when license(s) was lapsed, restricted, revoked, or suspended; or that do not meet the requirements of Pharmacist Professional Judgment.**
- B. **BCBSM may offset any amounts owed by Pharmacy against any amounts BCBSM owes Pharmacy under any BCBSM program.**
- C. **Recovery and offset related to billing code errors and other business matters confirmed by audit may be based on statistical sampling methodology.**
- D. **BCBSM will have the right to initiate recovery or offset of amounts paid up to three (3) years from date of payment; however there is no time limitation on recovery or offset in instances of fraud and the right to recover or offset shall survive any termination of this Agreement.**

ARTICLE VI - DISPUTES AND APPEALS

- 6.1 **All pharmacy audit and claims disputes arising under this Agreement will be resolved as set forth in this Article VI and in ADDENDUM A.**
- 6.2 **Special Programs. Disputes involving decisions rendered under other BCBSM programs (e.g., PPO pharmacy programs), are resolved under separate appeals processes specified by those programs, and are not subject to this Disputes and Appeals process.**

ARTICLE VII - TERMINATION

- 7.1 **Term - This Agreement shall commence on the Effective Date and shall continue until terminated as provided in this Article VII.**
- 7.2 **Automatic - This Agreement will terminate automatically if Pharmacy's license or DEA registration is lapsed, restricted, suspended or revoked, if Pharmacy or officer/director/owner of the pharmacy pleads guilty to or is convicted of fraud or a felony relating to the provision of health care, if Pharmacy ceases doing business at the participating location, or if Pharmacy's liability insurance is reduced below required amounts or terminate**
- 7.3 **Normal - Either party may, without cause, terminate this Agreement thirty (30) days following receipt of written notice.**
- 7.4 **Immediate - Either party may, except in the event of automatic termination, terminate this Agreement immediately if a breach remains uncured thirty (30) days after written notice of the breach or if bankruptcy proceedings are instituted.**

ARTICLE VIII - GENERAL

- 8.1 **Assignment - Pharmacy may not assign this Agreement without first obtaining the written consent of BCBSM. BCBSM may assign the Agreement to any affiliate or subsidiary upon written notice to Pharmacy and otherwise with prior written consent.**
- 8.2 **Subcontract/Delegation - If Pharmacy subcontracts or delegates any responsibilities under this Agreement, such responsibilities must be performed under Pharmacy's guidance and Pharmacy remains fully responsible for the performance of such responsibilities.**
- 8.3 **Amendment - BCBSM may amend this Agreement with sixty (60) days prior written notice.**
- 8.4 **Waiver - Failure to enforce any provision of this Agreement is not waiver of any subsequent breach.**
- 8.5 **Illegal Provisions - If a court determines that any provision of this Agreement is determined to be illegal, the remainder of the Agreement will remain in force.**
- 8.6 **Governing Law - This Agreement will be construed pursuant to the law of Michigan.**
- 8.7 **Notice - To be considered notice, communication must be in writing and addressed to: Blue Cross and Blue Shield of Michigan, in care of Pharmacy Services, MC-B774, 27000 W. 11 Mile Road, Southfield, Michigan 48034; or to Pharmacy at the address shown on the appropriate BCBSM file.**
- 8.8 **Scope and Effect - This Agreement constitutes the entire agreement and understanding between the parties, superseding any prior agreements,**

understandings or negotiation, whether written or oral, and shall be binding upon their successors or assigns.

8.9 Independent Status - **This contract is between Pharmacy and BCBSM, an independent corporation licensed by the Blue Cross and Blue Shield Association (BCBSA) to use the blue cross and blue shield names and service marks in Michigan. However, BCBSM is not the agent of BCBSA and, by accepting this contract, Pharmacy agrees that it made this contract based only on what it was told by BCBSM or its agents. Only BCBSM has an obligation to Provider under this contract and no other obligations are created or implied by this language.**

8.10 Signature - **Signature on this page binds the parties to the entire Agreement, as defined in Article I, and warrants that the signatory is authorized to sign this Agreement.**

PHARMACY:

Name of Owner or
Chief Executive Officer: _____
(handwrite or type)

By: _____
(signature)

Title: _____

Date: _____

BLUE CROSS AND BLUE SHIELD OF MICHIGAN:

By: _____
(signature)

Name: _____
(handwrite or type)

Title: _____

Date: _____

TRADITIONAL PROGRAM
SCHEDULE A - REIMBURSEMENT
SCHEDULE FOR CHAIN PHARMACIES

Under this Agreement, Covered Services will be reimbursed based on the following formula:

The sum of Drug Product Cost as defined below, Dispensing Fee, minus any specific Member Copayment and plus any applicable Incentive Payment.

The BCBSM approved amount is the sum of the Drug Product Cost and the Dispensing Fee.

Drug Product Cost:

For purposes of this Agreement the term "Drug Product Cost" will mean:

1. For all Covered Services, including insulin and insulin syringes but not High Cost Covered Services, as defined below, or federal legend compound prescriptions, AWP minus fourteen (14%) percent for affiliated national pharmacies and for same name pharmacies having common ownership and fifteen (15) or more Michigan locations. Same name pharmacies with a border location are excluded, unless such pharmacies have more than fifteen (15) commonly owned Michigan locations.
2. For High Cost Covered Services, defined as those prescriptions for which the AWP is two hundred (\$200.00) Dollars or more, an additional two (2%) percent will be received over the reimbursement levels stated in 1. above, or AWP - twelve (12%) percent. The dollar threshold for High Cost Covered Services will be reviewed periodically.
3. For federal legend compound prescriptions, the actual ingredient cost of the drugs used to prepare the prescription.
4. Notwithstanding the above, for those Members that have the MAC rider, reimbursement for prescription drugs included in BCBSM's MAC list will be the lesser of the MAC payment level or the appropriate discount from AWP.

Dispensing Fee:

The Dispensing Fee will be Three and 50/100 (\$3.50) Dollars per approved prescription drug claim.

Pharmacy Incentive:

The amount of the incentive that BCBSM will pay Pharmacy is One (\$1.00) Dollar per prescription. The incentive is in addition to reimbursement for Drug Product Cost and the Dispensing Fee and will be paid for: (1) All generic drugs, excluding those generic products for which BCBSM has determined there may be equivalency problems; (2) Compound prescriptions; and (3) a subset of brand-name drugs that BCBSM has specifically identified within its formulary as eligible for the incentive.

Member Copayment:

Member Copayments are determined by each Group purchasing Covered Services under this Agreement and will vary per Group.

**APPEALS OF AUDITS FOR WHICH
BCBSM HAS REQUESTED RECOVERY**

- A.** After each audit, BCBSM will forward the findings to Pharmacy. If Pharmacy agrees with or chooses not to dispute the findings, Pharmacy shall, within thirty (30) days of receipt of BCBSM's notification letter, make payment to BCBSM of the amount stated in the notification letter or contact BCBSM to make alternative payment arrangements.
- B.** If Pharmacy disagrees with BCBSM's decision, and wishes to have a specific case reconsidered, Pharmacy may do so by submitting a request in writing within sixty (60) days of receipt of BCBSM's notification letter. The request must include the following.
 - 1. Area of dispute;
 - 2. Reason for disagreement;
 - 3. Any additional supportive documentation.
- C.** BCBSM will respond in writing to the disputes raised by Pharmacy in the request for review within thirty (30) days.
- D.** If Pharmacy agrees with or chooses not to dispute the findings, Pharmacy shall, within thirty (30) days of receipt of BCBSM's notification letter, make payment to BCBSM of the amount stated in the notification letter or contact BCBSM to make alternative payment arrangements. Repayment arrangements extending beyond thirty (30) days will specify interest at the then prevailing BCBSM rate.
- E.** If Pharmacy continues to disagree, Pharmacy may request a meeting with appropriate BCBSM personnel. The request must be in writing, must be submitted within ninety (90) days of receipt of BCBSM's response referenced in Paragraph C, above, and must specify the area of dispute and reason for disagreement. BCBSM will conduct the meeting within thirty (30) days and provide a response to Pharmacy within ten (10) days.
- F.** If Pharmacy continues to disagree with BCBSM's determination involving matters of Professional Judgment, Pharmacy may request and receive an external peer review arbitration. The arbitration process will be completed in a timely fashion. A sample form of arbitration agreement is attached hereto as Exhibit 1.
- G.** Alternatively, Pharmacy may pursue administrative remedies available under Section 4 of 1980 P.A. 350, CML 550.1404. These remedies may be pursued even after beginning the appeal mechanism above, but in no case may they be pursued after Pharmacy makes a request for external peer review arbitration.

The P.A. 350 dispute resolution process consists of four steps: 1) Written Complaint to BCBSM; 2) Managerial-Level Conference with appropriate BCBSM personnel; 3) Informal Review & Determination before the Insurance Bureau; and 4) Contested Case Hearing before an Administrative Law Judge under the Administrative Procedures Act. The four steps are cumulative, i.e., the preceding step must first be exhausted before proceeding with the next step, and Court appeals are available after the entire process is completed. The BCBSM routine inquiry processes (status inquiry, telephone inquiry (optional) and a written inquiry) must be completed before the above P.A. 350

steps can be employed. If Pharmacy does not agree with BCBSM's response to its written inquiry, it may, within thirty (30) days, submit a Written Complaint specifying the Section 402 or 403 violations of P.A. 350. BCBSM must respond in writing to Pharmacy's Written Complaint within thirty (30) days. If Pharmacy is not satisfied with BCBSM's response, it may, within ninety (90) days, request a Managerial-Level Conference. BCBSM must provide the requested Conference by telephone or in person within thirty (30) days, and must provide its written decision within ten (10) days following the Conference. If Pharmacy is not satisfied with BCBSM's decision, it may, within one hundred twenty (120) days, request in writing an Informal Review & Determination before the Insurance Bureau. Either Pharmacy or BCBSM may request a Contested Case Hearing if not satisfied with the Insurance Bureau's Determination.

NOTE: Parallel appeal steps which have already been completed prior to entry into the P.A. 350 process need not be repeated.

SAMPLE ARBITRATION AGREEMENT

BCBSM and the undersigned Pharmacy agree to submit the attached appeal from BCBSM's audit determination or claim denial to _____

a Michigan peer review organization or committee affiliated with _____

for binding arbitration under Michigan law. It is understood and agreed that BCBSM and Pharmacy will each pay a prorated share of the total cost of the arbitration proceeding, based on the percentage affirmance or denial rate in relation to the total number of cases reviewed. The cost of arbitration will include the arbitrator's fees and any expenses associated with the proceedings. BCBSM and Pharmacy agree to the rules and process governing the proceeding, including the number of arbitrators and the form of presentation. BCBSM and Pharmacy agree that the arbitration award may be entered as a judgment in any state court proceeding between BCBSM and Pharmacy relating to the issues which are the subject matter of the arbitration.

**AMENDMENT TO THE
BLUE CROSS AND BLUE SHIELD OF MICHIGAN (BCBSM)
TRADITIONAL Rx PROGRAM**

Participation Agreement

**SCHEDULE A - REIMBURSEMENT
SCHEDULE FOR CHAIN PHARMACIES**

This Schedule A applies to affiliated national pharmacies and for same name pharmacies having common ownership and fifteen (15) or more Michigan locations. Same name pharmacies with a border location are excluded, unless these pharmacies have more than fifteen (15) commonly owned Michigan locations.

Under this Schedule A, Covered Services will be reimbursed based on the following formula:

The sum of Drug Product Cost plus Dispensing Fee, minus any specific
Member Copayment, plus any applicable Incentive Payment.

The BCBSM approved amount is the sum of the Drug Product Cost and the Dispensing Fee.

Drug Product Cost:

BCBSM will reimburse for Drug Product as follows:

1. Reimbursement for prescription drugs included in BCBSM's MAC list will be the lesser of the MAC payment level, AWP minus fourteen (14) percent, reported ingredient cost, or pharmacy's retail charge.
2. Reimbursement for Covered Services for which the AWP is Two Hundred Dollars (\$200.00) or more per prescription will be the lesser of AWP minus twelve (12) percent, reported ingredient cost, or pharmacy's retail charge. BCBSM will periodically review the \$200.00 limit and may adjust it to reflect changes in ingredient costs for these Covered Services.
3. Reimbursement for federal legend compound prescriptions will be the lesser of the actual ingredient cost of the drugs used to prepare the prescription or pharmacy's retail charge.
4. For all other Covered Services, reimbursement will be the lesser of AWP minus fourteen (14) percent, reported ingredient cost, or pharmacy's retail charge.

Retail Charge:

Retail charge is pharmacy's charge per prescription to cash paying customers, notwithstanding the billing terminology associated with such charge. Any retail charge specific to certain demographic groups will be given BCBSM for similar Enrollees. When reimbursement is based on retail charge, BCBSM does not pay a dispensing fee.

Dispensing Fee:

The Dispensing Fee will be Three and 50/100 Dollars (\$3.50) per approved prescription drug claim.

Pharmacy Incentive:

The amount of the incentive that BCBSM will pay Pharmacy is One Dollar (\$1.00) per eligible prescription. The incentive is in addition to reimbursement for Drug Product Cost and the Dispensing Fee and will be paid for: (1) All generic drugs, excluding those generic products for which BCBSM has determined there may be equivalency problems; (2) compound prescriptions; and (3) a subset of brand-name drugs that BCBSM has specifically identified within its formulary as eligible for the incentive.

Member Copayment:

Member Copayments are determined by each Group purchasing Covered Services under this Agreement and will vary per Group.

INDEPENDENT

BLUE CROSS AND BLUE SHIELD OF MICHIGAN TRADITIONAL Rx PHARMACY PARTICIPATION AGREEMENT

THIS AGREEMENT (Agreement) between Blue Cross and Blue Shield of Michigan (BCBSM), whose address is 27000 W. Eleven Mile Rd., Southfield, Michigan 48034 and

(Pharmacy), whose address is

ARTICLE I - DEFINITIONS

- 1.1 "Agreement" means this Agreement, as updated or amended from time to time, and any Schedules, Exhibits or Addenda attached hereto and made a part of this Agreement by reference thereto.
- 1.2 "Alternative Delivery System" means any preferred provider organization, health maintenance organization, point of service or other alternative delivery systems owned, controlled, administered or operated, in whole or in part, by BCBSM, its subsidiaries, or by any other Blue Cross and/or Blue Shield Plan.
- 1.3 "Average Wholesale Price" (AWP) means the average wholesale price of a prescription drug or other pharmaceutical product on the date the order is dispensed by the Pharmacy. The AWP may be stated by First Data Bank and published in the Blue Book or in another nationally recognized source.
- 1.4 "Certificate" means benefit plan descriptions under the sponsorship of BCBSM, or certificates and riders issued by or under its sponsorship, or benefits provided pursuant to contracts with other Blue Cross or Blue Shield Plans, either as a Control Plan or a Participating Plan, or arrangements with any employer group, including any self-funded plan, where BCBSM administers benefits; however, "sponsorship" does not include any Alternative Delivery System.
- 1.5 "Covered Services" means those federal legend prescription medications, insulin, disposable syringes with needles when dispensed with insulin, and services and pharmaceutical products specifically provided for in Certificates.
- 1.6 "Effective Date" means the date both BCBSM and Pharmacy have signed this Agreement.
- 1.7 "Member" means a person entitled by contract, on the date the Covered Service was dispensed, to receive Covered Services.
- 1.8 "Out of Panel Services" means services provided to a member of an Alternative Delivery System by a pharmacy which is not an approved panel

provider of such Alternative Delivery System at the time such services are provided.

- 1.9 **"Pharmacist Professional Judgment or Professional Judgment" means a determination made by the pharmacist that the Covered Services are dispensed in accordance with all ethical and professional standards prevailing in the pharmacy community and with Members' Certificates.**
- 1.10 **"Prescriber" means a health care professional authorized by law to prescribe federal legend drugs for treatment of human conditions. If BCBSM has statutory discretion to refuse payment for prescriptions written by any Prescribers, BCBSM may exclude such Prescribers from the above definition and deny payment for any drugs prescribed by these Prescribers.**
- 1.11 **"Pharmacy Manual" means the instructional and informational material prepared by BCBSM and supplied to Pharmacy.**

ARTICLE II - PHARMACY RESPONSIBILITY

Pharmacy will:

- 2.1 **Documents - Have and maintain all licenses and permits required by law or by BCBSM under this Agreement. BCBSM requires that Pharmacy have and maintain a Drug Enforcement Agency (DEA) registration number(s). Pharmacy will submit copies of such documents and any documents relating to Pharmacy's affiliations with other pharmacies to BCBSM upon request.**
- 2.2 **Insurance - Have and maintain appropriately funded self-insurance or be included in a group commercial professional and product liability insurance policy and an owner's or renter's policy in amounts appropriate to a prudent business person in Pharmacy's circumstance. Currently, the minimum amounts for professional/product liability coverage are one million dollars (\$1,000,000.00) per occurrence and two million dollars (\$2,000,000.00) aggregate. Pharmacy will submit evidence of insurance to BCBSM upon request.**
- 2.3 **Notification**
 - A. **Within fifteen (15) days after receipt of information, notify BCBSM in writing of any lapse, restriction, suspension, or revocation of Pharmacy's license, DEA registration number(s), or Medicaid participation status; any conviction or settlement that relates to performance of Covered Services or the provision of health care; any cancellation of required insurance; and of any other matters which materially affect performance under this Agreement, including without limitations any impairment of pharmacist's professional license.**
 - B. **As soon as possible, notify BCBSM of any changes in Pharmacy's business which may have a direct impact on the quality of or Pharmacy's ability to provide Covered Services. Business changes include changes in ownership, name, location, business structure, range of services offered, bankruptcy proceedings, and pharmacy business termination.**

However, notwithstanding compliance with any notice requirements, notice is informational and does not guarantee continued participation. Participation requires that Pharmacy continue to meet the requirements of this Agreement.

- 2.4 Pharmacy Manual - **Follow the Pharmacy Manual and all other BCBSM communications stating requirements pertaining to this Agreement.**
- 2.5 Covered Services
 - A. **Provide Covered Services in conformance with all provisions of this Agreement.**
 - B. **Dispense prescription drugs in conformance with all applicable state, local, and federal laws and regulations; with Pharmacist Professional Judgment; with all ethical standards prevailing in the pharmacy community; and with all BCBSM reimbursement policies and Program requirements.**
 - C. **Dispense the quantity of medication indicated on the prescription order, up to a maximum of 34 days' supply per prescription/refill, or as otherwise specified in Certificates.**
 - D. **Provide Covered Services to Members with the same quality and in the same manner as to Pharmacy's other customers and without any prohibited discrimination.**
 - E. **Use best efforts to obtain or to assist Member in obtaining prescribed medications, including high cost/high tech Covered Services not routinely stocked.**
 - F. **Use Professional Judgment in determining whether drug contraindications/adverse reactions may exist and whether the drug therapy prescribed exceeds acceptable norms. In such situations, Pharmacy must contact the Prescriber to verify the prescription information prior to dispensing and document the results of the Prescriber interaction in terms of the necessity and appropriateness for dispensing the prescription as written. This documentation must be maintained for audit purposes.**
- 2.6 Formulary - **Make reasonable efforts to educate Members and Prescribers on the benefits of following BCBSM's formulary.**
- 2.7 Cooperation - **Cooperate with all claims submission requests, pharmacy reviews, quality assurance audits and teams, and utilization review audits and comply with BCBSM determinations and corrective action plans, subject to Pharmacy's rights under Article VII.**
- 2.8 Claims
 - A. **Submit claims for Covered Services, including claims for Covered Services where the copayment is equal to or greater than BCBSM's**

reimbursement, and any documentation requested in relation to such claims. Pharmacy may only submit claims for Covered Services provided at participating locations and must submit such claims electronically to BCBSM or its designated processor via the on-line pharmacy point-of-contact claims processing system. Claims must be submitted within sixty (60) days from date of dispensing.

- B. To be reimbursed, all claims must be complete and accurate, the prescription must be signed or called in by the Prescriber and received by the Member, and no charge for submission may be made to either BCBSM or Member.
- C. Promptly notify BCBSM of any overpayments.

2.9 Reimbursement

- A. Look only to BCBSM for reimbursement and accept BCBSM's reimbursement as payment in full for Covered Services provided during the term of this Agreement. See Item 3.2 for BCBSM reimbursement and Item 2.9-B, C, D and E for Member payment responsibility.

Pharmacy will not require Members to pay any amounts BCBSM denies or recovers for any reason, including but not limited to overpayment, BCBSM's claims processing policies, audit findings, non compliance with Professional Judgment, claims submitted to and rejected by BCBSM due to expiration of the sixty (60) day period, and for any amount owed to Pharmacy by BCBSM.

- B. Collect from Members the full amount for any copayments and deductibles relating to Covered Services. Note: Disposable syringes are not subject to copayments when dispensed with insulin or an antineoplastic agent.
- C. For all Members that have the MAC Rider, also collect the difference between BCBSM's approved amount for the brand-name drug and the MAC payment level if the Member requests a brand-name drug and the Prescriber did not require "Dispense as Written;" however, in total, no more will be collected than BCBSM's approved amount as determined by the on-line processing system.
- D. Charge Member only the BCBSM approved amount for the Covered Service when the copayment exceeds the BCBSM approved amount.
- E. Pharmacy may also charge Members for any services that are not Covered Services.
- F. Pharmacy shall not be reimbursed pursuant to this Agreement for any Out of Panel Services provided to any Member of an Alternative Delivery System. Any payment for Out of Panel Services dispensed to such a Member is a matter between the Pharmacy and the Member.

- 2.10 **Member Notice - Upon termination and prior to providing Covered Services, Pharmacy will notify Members who are Pharmacy's customers that Pharmacy is no longer participating with BCBSM.**
- 2.11 **Records - Develop and utilize accurate records of all matters relating to obligations under this Agreement. Records must include pharmacy records describing services rendered and related financial records. These records must be kept for five (5) years from the date of performance of the last Covered Service, be in writing, comply with any legal standards, generally accepted business and professional standards, and Agreement standards, and be available to BCBSM without charge.**

No record may be released by Pharmacy, except to BCBSM/agent, without Member's prior permission, except as required by law.

- 2.12 **Access**
- A. **Allow BCBSM representatives reasonable access to the pharmacist and the premises to: inspect equipment and space relating to provision of Covered Services; to perform utilization and quality reviews and financial audits; and to duplicate records. Access to premises is without charge.**
 - B. **Make Member records and related information available as BCBSM deems necessary to administer this Agreement. Records must also be promptly available when a Member transfers to another Pharmacy.**
- 2.13 **Coordination of Benefits - Assist BCBSM in coordinating benefits and subrogation rights by obtaining from Members specified information regarding third-party liability.**
- 2.14 **Successor in Interest - Upon transfer of at least one-half Pharmacy's pharmacy business assets, Pharmacy will provide a signed agreement from the successor stating that successor assumes liability for any amounts Pharmacy may owe but has not paid to BCBSM under this Agreement, and upon determination by BCBSM that reasonable grounds exist to question Pharmacy's ability to pay any amounts it may owe under this Agreement, Pharmacy will establish an escrow account or a Letter of Credit in an amount satisfactory to BCBSM.**
- 2.15 **Provider Identification Number (PIN) - Recognize that the PIN number issued by BCBSM may not be sold or transferred.**
- 2.16 **Successor Participation - Upon sale or other transfer of Pharmacy's pharmacy business, Pharmacy must inform the successor Pharmacy in writing that there is no guarantee that BCBSM will accept successor as a participant under this Agreement.**
- 2.17 **Publication - Permit BCBSM to publish the name and appropriate identifying information of Pharmacy. At BCBSM's request, Pharmacy will review such materials and promptly inform BCBSM of any changes relating to name(s) and identifying information.**

ARTICLE III - BCBSM RESPONSIBILITY

BCBSM will:

3.1 General Administration

- A. **Perform enrollment, reimbursement, accounting and other similar functions; and establish participation requirements and status of Pharmacy.**
- B. **Make available Member eligibility, coverage, exclusion, and reimbursement information without charge. This information is provided by BCBSM as a service and is not a guarantee of payment.**
- C. **Issue Identification Cards or other information indicating Member enrollment in the Program.**
- D. **Provide the Pharmacy Manual and any other BCBSM communications that affect Pharmacy's participation.**
- E. **Give Pharmacy thirty (30) days prior written notice of material changes in reimbursement or Covered Services. Other changes will be effective with notice.**

3.2 Reimbursement - **Reimburse Pharmacy no less than biweekly for Covered Services in accordance with the reimbursement in effect on the date of dispensing. See Schedule A. BCBSM will review Pharmacy reimbursement at least annually to determine if modifications are necessary. BCBSM does not warrant or guarantee the review process will result in increased reimbursement.**

ARTICLE IV - MUTUAL RESPONSIBILITY

Both parties will:

- 4.1 **Independent Contractor - Perform as independent contractors.**
- 4.2 **Confidentiality - Acknowledge that it is necessary to exchange information under this Agreement and will treat any information provided to one another as confidential and/or proprietary, and not use or disclose such information except as permitted under this Agreement or as required by law.**
- 4.3 **Publication - Neither party may use information identifying the other party or the Program without prior written consent, except as otherwise provided under this Agreement. Upon termination of this Agreement, all use will cease as soon as reasonably possible.**
- 4.4 **Exclusivity - Recognize that this Agreement is not exclusive and that both parties may contract with other parties for services. BCBSM makes no representations that Pharmacy will receive additional customers under this Agreement.**

- 4.5 **Responsibility - Be responsible for their own negligent acts and omissions under this Agreement. Pharmacy will defend and hold BCBSM harmless against any negligent acts or omissions in relation to BCBSM Members. BCBSM will defend and hold Pharmacy harmless from any claims or litigation brought by Members asserting BCBSM breach of the BCBSM Confidentiality Policy.**

ARTICLE V - AUDITS AND RECOVERY

5.1 Audits

- A. **Notwithstanding Pharmacy's ownership of Member records, BCBSM or its agent may, upon prior notification, perform audits at reasonable times.**
- B. **Audits include standard BCBSM review of pharmacy billing and financial records related to Covered Services. Continued participation may be affected by Pharmacy's performance, including quality and utilization reviews conducted under all BCBSM programs.**
- C. **Audits will be conducted pursuant to BCBSM's standard business practices; however, except for cases of fraud, audits will include only those claims paid within the previous three (3) years.**

5.2 Recovery

- A. **BCBSM reserves the right to recover amounts paid for services not meeting applicable benefit criteria. BCBSM may also recover any overpayments for services: not verified through Pharmacy's records; not received by the Member; furnished when license(s) was lapsed, restricted, revoked, or suspended; or that do not meet the requirements of Pharmacist Professional Judgment.**
- B. **BCBSM may offset any amounts owed by Pharmacy against any amounts BCBSM owes Pharmacy under any BCBSM program.**
- C. **Recovery and offset related to billing code errors and other business matters confirmed by audit may be based on statistical sampling methodology.**
- D. **BCBSM will have the right to initiate recovery or offset of amounts paid up to three (3) years from date of payment; however there is no time limitation on recovery or offset in instances of fraud and the right to recover or offset shall survive any termination of this Agreement.**

ARTICLE VI - DISPUTES AND APPEALS

- 6.1 **All pharmacy audit and claims disputes arising under this Agreement will be resolved as set forth in this Article VI and in ADDENDUM A.**
- 6.2 **Special Programs. Disputes involving decisions rendered under other BCBSM programs (e.g., PPO pharmacy programs), are resolved under separate appeals processes specified by those programs, and are not subject to this Disputes and Appeals process.**

ARTICLE VII - TERMINATION

- 7.1 **Term - This Agreement shall commence on the Effective Date and shall continue until terminated as provided in this Article VII.**
- 7.2 **Automatic - This Agreement will terminate automatically if Pharmacy's license or DEA registration is lapsed, restricted, suspended or revoked, if Pharmacy or officer/director/owner of the pharmacy pleads guilty to or is convicted of fraud or a felony relating to the provision of health care, if Pharmacy ceases doing business at the participating location, or if Pharmacy's liability insurance is reduced below required amounts or terminate**
- 7.3 **Normal - Either party may, without cause, terminate this Agreement thirty (30) days following receipt of written notice.**
- 7.4 **Immediate - Either party may, except in the event of automatic termination, terminate this Agreement immediately if a breach remains uncured thirty (30) days after written notice of the breach or if bankruptcy proceedings are instituted.**

ARTICLE VIII - GENERAL

- 8.1 **Assignment - Pharmacy may not assign this Agreement without first obtaining the written consent of BCBSM. BCBSM may assign the Agreement to any affiliate or subsidiary upon written notice to Pharmacy and otherwise with prior written consent.**
- 8.2 **Subcontract/Delegation - If Pharmacy subcontracts or delegates any responsibilities under this Agreement, such responsibilities must be performed under Pharmacy's guidance and Pharmacy remains fully responsible for the performance of such responsibilities.**
- 8.3 **Amendment - BCBSM may amend this Agreement with sixty (60) days prior written notice.**
- 8.4 **Waiver - Failure to enforce any provision of this Agreement is not waiver of any subsequent breach.**
- 8.5 **Illegal Provisions - If a court determines that any provision of this Agreement is determined to be illegal, the remainder of the Agreement will remain in force.**
- 8.6 **Governing Law - This Agreement will be construed pursuant to the law of Michigan.**
- 8.7 **Notice - To be considered notice, communication must be in writing and addressed to: Blue Cross and Blue Shield of Michigan, in care of Pharmacy Services, MC-B774, 27000 W. 11 Mile Road, Southfield, Michigan 48034; or to Pharmacy at the address shown on the appropriate BCBSM file.**
- 8.8 **Scope and Effect - This Agreement constitutes the entire agreement and understanding between the parties, superseding any prior agreements,**

understandings or negotiation, whether written or oral, and shall be binding upon their successors or assigns.

8.9 Independent Status - **This contract is between Pharmacy and BCBSM, an independent corporation licensed by the Blue Cross and Blue Shield Association (BCBSA) to use the blue cross and blue shield names and service marks in Michigan. However, BCBSM is not the agent of BCBSA and, by accepting this contract, Pharmacy agrees that it made this contract based only on what it was told by BCBSM or its agents. Only BCBSM has an obligation to Provider under this contract and no other obligations are created or implied by this language.**

8.10 Signature - **Signature on this page binds the parties to the entire Agreement, as defined in Article I, and warrants that the signatory is authorized to sign this Agreement.**

PHARMACY:

Name of Owner or
Chief Executive Officer: _____
(handwrite or type)

By: _____
(signature)

Title: _____

Date: _____

BLUE CROSS AND BLUE SHIELD OF MICHIGAN:

By: _____
(signature)

Name: _____
(handwrite or type)

Title: _____

Date: _____

**AMENDMENT TO THE
BLUE CROSS AND BLUE SHIELD OF MICHIGAN (BCBSM)
TRADITIONAL Rx PROGRAM**

Participation Agreement

**SCHEDULE A - REIMBURSEMENT
SCHEDULE FOR INDEPENDENT PHARMACIES**

Under this Schedule A, Covered Services will be reimbursed to non-chain pharmacies based on the following formula:

The sum of Drug Product Cost plus Dispensing Fee, minus any specific Member Copayment, plus any applicable Incentive Payment.

The BCBSM approved amount is the sum of the Drug Product Cost and the Dispensing Fee.

Drug Product Cost:

BCBSM will reimburse for Drug Product as follows:

1. Reimbursement for prescription drugs included in BCBSM's MAC list will be the lesser of the MAC payment level, AWP minus twelve (12) percent, reported ingredient cost, or pharmacy's retail charge.
2. Reimbursement for Covered Services for which the AWP is Two Hundred Dollars (\$200.00) or more per prescription will be the lesser of AWP minus ten (10) percent, reported ingredient cost, or pharmacy's retail charge. BCBSM will periodically review the \$200.00 limit and may adjust it to reflect changes in ingredient costs for these Covered Services.
3. Reimbursement for federal legend compound prescriptions will be the lesser of the actual ingredient cost of the drugs used to prepare the prescription or pharmacy's retail charge.
4. For all other Covered Services, reimbursement will be the lesser of AWP minus twelve (12) percent, reported ingredient cost, or pharmacy's retail charge.

Retail Charge:

Retail charge is pharmacy's charge per prescription to cash paying customers, notwithstanding the billing terminology associated with such charge. Any retail charge specific to certain demographic groups will be given BCBSM for similar Enrollees. When reimbursement is based on retail charge, BCBSM does not pay a dispensing fee.

Dispensing Fee:

The Dispensing Fee will be Three and 50/100 Dollars (\$3.50) per approved prescription drug claim.

Pharmacy Incentive:

The amount of the incentive that BCBSM will pay Pharmacy is One Dollar (\$1.00) per eligible prescription. The incentive is in addition to reimbursement for Drug Product Cost and the Dispensing Fee and will be paid for: (1) All generic drugs, excluding those generic products for which BCBSM has determined there may be equivalency problems; (2) compound prescriptions; and (3) a subset of brand-name drugs that BCBSM has specifically identified within its formulary as eligible for the incentive.

Member Copayment:

Member Copayments are determined by each Group purchasing Covered Services under this Agreement and will vary per Group.

AMENDMENT TO THE
BLUE CROSS BLUE SHIELD OF MICHIGAN
TRADITIONAL RX PROGRAM AGREEMENT(S)

This amendment (Amendment) is between Blue Cross Blue Shield of Michigan (BCBSM) and Provider. It rewords the current Traditional RX Program Participation Agreement, as previously amended (the Agreement) for Chain and Independent Providers.

ARTICLE I – DEFINITIONS

Definition 1.3 is reworded effective _____, 2005 to read as follows:

- 1.3 “Average Wholesale Price” (AWP) means the average wholesale price of a prescription drug or other pharmaceutical product on the date the order is dispensed as reflected by the information contained in the drug claim processing system on the date the claim is processed. AWP on the drug claim processing system will be updated based on information received no less frequently than weekly from First Data Bank, as published in the Blue Book, or, at BCBSM’s discretion, another nationally recognized source.



A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

Pharmacy Provider Class Plan

Detailed Report

2003-2004

EXECUTIVE SUMMARY

Goal Achievement

BCBSM met the access and quality of care goals during the reporting period. Although the cost goal for the pharmacy provider class was not independently met, there is competent, material and substantial information to support a determination that the failure to achieve the goal was reasonable in accordance with Section 510(1)(b) of PA 350.

Cost Performance

The two-year average percent change in payments per 1000 members during this period resulted in an increase of 6.8 percent for retail payments and 55.1 percent for mail order payments. The PA 350 cost goal was to limit the increase to 3.5 percent. The retail increase was mainly due to an average increase in price of 7.1 percent and use was virtually flat with a decrease of 0.2 percent. The increase in mail order payments was the result of an average increase in use of 47.4 percent and an average 5.1 percent in price. There were many other factors that influenced pharmacy costs. Some drove the costs up while others helped control costs. The major factors that affected cost performance were:

- ◆ Increased dispensing of generic drugs stemming from BCBSM's generic drug incentive and higher copayments for brand name drugs
- ◆ Increased use of mail order drugs that led to lower costs and reduced use of maintenance drugs in the retail segment
- ◆ Increased use of drugs related to health problems primarily associated with overweight or obese Michigan residents
- ◆ Growth in proliferation of drugs to combat illnesses such as multiple sclerosis that once led to premature death
- ◆ High research and development costs of drugs recently approved by the Food and Drug Administration
- ◆ Expansion of benefits covering what are known as life style drugs (e.g. Viagra)
- ◆ Continued advertisement of drugs that encourage consumers to request these drugs from their physicians

Access Performance

There was an appropriate number of participating pharmacies throughout the state to ensure the availability of covered prescription drugs to each BCBSM member. For retail pharmacies, BCBSM maintained a formal participation rate of 100 percent in each year. Major factors affecting access performance during this reporting period included:

- ◆ Effective communications with pharmacies, such as BCBSM publications and liaison meetings, helped maintain good provider relationships.
- ◆ BCBSM's reimbursement methodology and appeals process, which were included in the provider manual and participation agreement. Providers were willing to participate because they knew how they would be reimbursed and how to appeal a payment or policy decision if they disagreed with BCBSM.
- ◆ The mail order program, which gave members a convenient option for obtaining maintenance drugs and offered a 90-day supply instead of the 34-day supply available on a retail basis.
- ◆ Incentives offered to pharmacies for stocking high-cost drugs which increased access to drugs that were not readily available.

Quality of Care Performance

BCBSM ensured that pharmacies met and abided by reasonable standards of health care quality. Major factors affecting quality of care performance during this reporting period included:

- ◆ Qualification standards required for participation ensured that providers had the appropriate credentials to render pharmacy services.
- ◆ Quality controls such as documentation requirements and audits helped ensure that only medically necessary services were rendered.
- ◆ Utilization management initiatives ensured the most appropriate drug therapy for treating individuals was available.
- ◆ Quality management initiatives promoted compliance and the effective and safe dispensing of medications.
- ◆ Effective provider relations, including regular meetings of the Pharmacy Advisory Committee, provider communications, and the provider appeals process kept providers well informed.

PLAN OVERVIEW

Providers

Pharmacies

Qualifications

Retail pharmacies: Licensed by the state of Michigan with a current Drug Enforcement Agency registration

Mail order pharmacies: Licensed by the state in which they are located with a current Drug Enforcement Agency registration

Participation Status

Formal basis only

Covered Services

- ◆ Prescription drug benefits include coverage of the following: “Rx only” drugs and state-controlled drugs; injectable insulin; disposable syringes and needles when dispensed with insulin or with a chemotherapeutic drug; and compound drugs containing at least one “Rx only” drug.
- ◆ Prescription drug benefits do not include: therapeutic devices or appliances; contraceptive medications or devices, unless otherwise specified in subscriber contracts; drugs prescribed for cosmetic purposes; medications not requiring a prescription, except insulin; and diagnostic agents.

Reimbursement

RETAIL PHARMACIES

Traditional Rx formula: The sum of the drug product cost plus the dispensing fee, minus any specific member copayment, plus any applicable incentive payment.

Preferred Rx¹ formula: The sum of the drug product cost and the dispensing fee, which includes any applicable incentives, minus the member copayment.

¹ Although PA 350 requires BCBSM to only report on its Traditional providers, we have included Preferred Rx because we cannot separate traditional membership from PPO membership for this provider class.

Members who receive covered drugs from a nonparticipating pharmacy in the United States are directly reimbursed at 75 percent (100 percent for emergency pharmacy services) of the pharmacy's charge minus the member's copay. For covered drugs obtained from a nonparticipating pharmacy outside the United States, BCBSM reimburses the subscriber for the drug product cost and dispensing fee, minus the member's copayment.

MAIL ORDER PHARMACIES

BCBSM reimburses participating mail order pharmacies for covered mail order brand name and generic drugs using the following formula: the lesser of the discounted average wholesale price or the submitted ingredient cost, plus a dispensing fee, minus any specific member copayment.

Benefit Issues

In 2003, BCBSM was required by PA 350 to cover underwritten members for any drug or device prescribed for uses or in dosages other than those specifically approved by the FDA when the prescribing physician can substantiate that the drug is recognized for the prescribed treatment.

Plan Updates

There were no plan updates during this review period.

EXTERNAL INFLUENCES

Market Share

Using the most current data available, Table 1 illustrates BCBSM's commercial (private) market share for members eligible to receive services from a participating BCBSM pharmacy. As shown, BCBSM's share of the commercial market in Michigan decreased slightly in every region between 2003 and 2004. Total market share in Michigan decreased from 32.2 percent in 2003 to 30.4 percent in 2004. The loss in BCBSM membership is due to the combination of corporate downsizing by BCBSM customers and loss of groups to competitors. A significant major group loss occurred in June 2003.

Table 1
Pharmacy Provider Class
Traditional and PPO Share of Michigan Market

	2004			2003		
	Trad and PPO			Trad and PPO		
Region	Michigan Population*	Pharmacy Members	Market Share	Michigan Population*	Pharmacy Members	Market Share
1	3,195,788	1,031,100	32.3%	3,195,916	1,067,822	33.4%
2	511,650	116,701	22.8%	511,051	121,255	23.7%
3	456,878	136,022	29.8%	455,977	145,915	32.0%
4	380,221	101,720	26.8%	381,597	115,267	30.2%
5	779,870	220,169	28.2%	786,781	232,755	29.6%
6	1,025,335	239,147	23.3%	1,025,466	263,677	25.7%
7	475,937	175,255	36.8%	478,921	186,257	38.9%
8	328,791	139,108	42.3%	330,708	162,772	49.2%
9	175,051	67,797	38.7%	175,966	77,751	44.2%
Statewide	7,329,521	2,227,018	30.4%	7,342,383	2,373,472	32.3%

* Excludes Medicare and Medicaid recipients

Epidemiological Factors

Prescription drugs are an increasingly important component of health care. New drugs and new uses for older drugs improve health outcomes and quality of life, prevent or delay disease, and hasten recovery. Their functions range from curing disease (e.g., antibiotics), controlling symptoms (e.g., pain relievers, multiple sclerosis and asthma drugs), replacing or supplementing needed chemicals (e.g. insulin and vitamins), and controlling the body's self-regulating systems (e.g., high blood pressure and thyroid drugs). Drugs also serve as complements to medical procedures (e.g., anticoagulants during heart valve replacement surgery), deterrents to disease and disability (e.g., cholesterol-lowering drugs that lessen the risk of coronary artery disease), and new treatments where previously there were none (e.g., drugs for HIV). Factors affecting the recent increases in national utilization of medications include the growth of insurance coverage for drugs, the availability of successful new drugs, marketing to physicians and consumers, and clinical guidelines recommending increased utilization of medications for conditions such as high cholesterol, acid-reflux disease and asthma.²

Prescription drugs can increase the length and quality of life, particularly for older people, but they also are costly and can have damaging side effects or interactions. As the use of multiple drugs continues, and drug expenditures climb, the trade-off between costs and benefits of prescription drugs will be a topic of clinical and policy discussions.

Many of the most frequently prescribed drugs are for conditions which could be alleviated by healthier lifestyles. Many Americans are overweight, stressed or depressed. Weight gain can lead to high blood pressure, high cholesterol, and sometimes diabetes. Stress and inactivity can worsen depression. There are drugs for all of these conditions that can improve the situation effortlessly. Doctors find it easier to write prescriptions than to teach patients about nutrition and healthier eating habits or to require patients to follow strict diets. It is difficult to persuade patients that adjustments in their behavior can work as well as prescription drugs. There are numerous studies that prove that small changes in diet or exercise regimes can have the same effects as a prescription drug. For example, a 2003 University of Toronto study found that a diet high in soy protein, fiber and almonds lowered cholesterol as much as statins (cholesterol lowering drugs).³

Michigan residents are among the least healthy in the nation. A study by the Michigan Economic Development Corporation showed that Michigan has the highest rate of death from coronary heart disease, and ranks very high for obesity, diabetes and smoking when compared with 17 states that compete with Michigan for jobs. These unhealthy lifestyles are contributing to Michigan's higher health costs.⁴ The MEDC study also found that Michigan leads competing states in per-capita prescription drug use and spending.⁵

² *Health United States, 2004*

³ *Want lower drug bills? Look in the mirror*, www.usatoday.com/news/opinion/editorials/2005-02-14

⁴ *State: Harmful lifestyles hurt economy*, Lansing State Journal, February 27, 2004

⁵ *Study: Rx use, employers' share drive up premiums*, Crain's Detroit Business, March 29, 2004

The prevalence of chronic disease in Michigan as well as the lifestyles that can promote chronic conditions have a direct result on the type and volume of drugs prescribed to BCBSM members. The correlation between the chronic diseases affecting Michigan residents in general and the types of drugs prescribed to BCBSM members becomes apparent in an examination of the top therapeutic drug classes and the top generic drug entities for BCBSM members as described in the cost goal performance section of this report.

Economic Factors

National Health Expenditures and Projections

National health expenditures rose 7.7 percent in 2003 and were projected to have risen 7.5 percent in 2004. The prescription drug component of national health expenditures rose 10.7 percent in 2003 and was projected to have risen 11.9 percent in 2004.⁶ The slowdown in national prescription drug spending growth since 2001 has been caused by factors expected to persist in future years and also one-time factors that will not affect the future trend. Examples of the latter include the switch to over-the-counter (OTC) status for the non-sedating antihistamine Claritin, and the drop in consumption of estrogen products that occurred in 2003. BCBSM data also support this finding with estrogen and antihistamine drugs having a combined 35 percent decrease in total payments.

Spending growth for 2004 was expected to reaccelerate, yet remain constrained by factors such as the increased availability and consumption of lower-cost generic drugs and more people covered under tiered-copayment drug plans. Projections for 2005-2014 predict that prescription drug spending will decelerate but remain the fastest growing sector in healthcare. In 2005, drug spending is anticipated to slow due to the withdrawal of Vioxx from the market, and reaction to studies showing increased risks for other medications. Other factors affecting future projections are anticipated increased cost sharing and more drugs shifting to over-the-counter status that will reduce demand for prescription drugs. Also, pharmacy benefit managers are expected to expand their plan management tools such as prior authorization and step therapy. Finally, it is expected that most new drugs currently being developed will target niche diseases and not achieve blockbuster status.⁷

Inflationary Factors

According to the Kaiser Family Foundation, three main factors drove the increases in national prescription drug spending between 1997 and 2002:

- ◆ The increasing number of prescriptions filled was responsible for 42 percent of the overall increase in prescription drug spending.
- ◆ Changes in the types of drugs used (with newer, higher-priced drugs replacing older, less-expensive drugs) accounted for 34 percent of the increase.

⁶ <http://www.cms.hhs.gov/statistics/nhe/projections-2003/t2.asp>

⁷ *U.S. Health Spending Projections for 2004-2014*, Health Affairs, February 23, 2005

- ◆ Manufacturer price increases for existing drugs accounted for 25 percent of the increase.

Between 1993 and 2003, the number of prescriptions purchased increased 70 percent (from 2 billion to 3.4 billion), compared to a U.S. population growth of 13 percent. The average number of prescriptions per capita increased from 7.8 to 11.8.⁸ This reflects both the need to prescribe multiple drugs for those with multiple conditions as well as the availability of many new and popular types of medication. This trend is expected to continue with 4 billion prescriptions projected for 2005.⁹

Retail prescription drug prices increased an average of 7.4 percent per year between 1993 and 2003, more than double the average inflation rate of 2.5 percent. These price increases reflect both manufacturer price changes for existing drugs and changes to newer, higher-priced drugs.¹⁰ A study that focused on treating high blood pressure found that doctors often prescribe newer, more expensive drugs instead of the ones recommended under medical guidelines. Patients often believe the best care is the costliest and push for more expensive treatments.¹¹

The time needed to bring a generic drug to the marketplace has increased, allowing manufacturers of higher cost brand name drugs more time to reap the profits on single source drugs.

Prices for generic drugs have also spiraled upward due to consolidation among generic manufacturers leading to reduced competition in some drug categories. Fewer companies are making generics for certain older drugs because they are devoting resources to medicines that have come off patent more recently and are more profitable.¹²

More specific causes contributing to the increases in prescription drug costs include:

- ◆ The top selling prescription drugs tend to be newer, higher-priced brand name drugs whose availability is affected by the research and development activities of pharmaceutical manufacturers and government-supported research. Manufacturer research and development spending increased from \$12.7 billion in 1993 to an estimated \$33.2 billion in 2003, with R&D estimated to account for 17.7 percent of sales in 2003.¹³
- ◆ Development costs continue to escalate. The cost of developing a new drug, including studies conducted after receiving regulatory approval, averaged \$897 million in 2000, according to a study by the Tufts Center for the Study of Drug Development.¹⁴

⁸ *Prescription Drug Trends*, Kaiser Family Foundation, October 2004

⁹ Health Scout News, 8/31/2002, cited in *Healthcare Trends on the Fast Track*, 9/3/2002

¹⁰ *Prescription Drug Trends*, Kaiser Family Foundation, October 2004

¹¹ *Study: Doctors Often Pick Costlier Drugs*, Las Vegas Sun, April 20, 2004

¹² Wall Street Journal, April 15, 2003

¹³ *Prescription Drug Trends*, Kaiser Family Foundation, October 2004

¹⁴ Wall Street Journal, May 19, 2003

- ◆ The number of new drugs (new molecular entities) approved by the FDA also affects new drug use. From 1993 to 2001, approximately 30 new drugs per year were approved, but only 17 were approved in 2002 and 21 in 2003. With fewer new products, pharmaceutical companies feel pressured to keep profits up by charging more for existing products.¹⁵
- ◆ Pharmaceutical manufacturing was the most profitable U.S. industry from 1994-2002. In 2003, it fell to third, with profits of 14 percent compared to 5 percent for all Fortune 500 firms.
- ◆ Advertising affected both the increase in utilization and the shifts to higher-priced drugs. Manufacturers spent \$25.3 billion for advertising in 2003, with \$22.1 billion directed toward physicians (including \$16.3 billion for the retail value of drug samples), and \$3.2 billion directed toward consumers. Spending for direct-to-consumer advertising, usually to advertise newer, more costly drugs, was more than eight times greater in 2003 than in 1995.
- ◆ Specialty pharmaceuticals, or biologics, are new drugs derived from genetic engineering. They require different storage and handling than conventional synthetic drugs, pertain to a mere 0.5 percent to 1 percent of the population, and must be administered by injection or infusion. These drugs target diseases such as cancer, multiple sclerosis, rheumatoid arthritis and psoriasis. They can cost up to \$30,000 per month, with an average monthly cost of \$1,000 to \$3,000. About 370 of these will hit the market in the next three to five years and will continue to impact the pharmacy cost trends.

Health Care Cost Containment

Many methods have been used to control prescription drug spending. Pharmacy and manufacturer-focused strategies include cost controls and negotiated discounts. Most insurers offer a variety of benefit options featuring fixed dollar or percentage copayments, or a copayment structure that varies depending on whether the prescription is filled with a brand or generic drug. Employers are able to select benefit plans with higher copayments, thus shifting part of the increase in costs to their employees. Mail order drug programs have also become a popular, lower cost source for maintenance drugs. Finally, increased availability and awareness about generic drugs has had an effect on overall drug spending. BCBSM's cost containment programs are described in detail in the Cost Goal Performance Section of this report.

FEDERAL, STATE AND PROFESSIONAL REGULATION

Federal regulations were implemented in August 2003 to hasten the pace at which generic drugs are brought to market. These regulations limit original drug makers to one 30-month "stay" blocking the entry of generic drugs by filing patent lawsuits. Some drug developers had been delaying generic competitors by using multiple, consecutive stays, which produced delays of four to 40 months. The regulations also prevented drug "innovators" from delaying generic versions by requesting additional patents for minor matters such as packaging. The FDA now

¹⁵ *Prescription Drug Trends*, Kaiser Family Foundation, October 2004 and Wall Street Journal, April 15, 2003

requires a more detailed, signed statement with patent requests, and false claims could lead to criminal actions. These reforms are estimated to save \$3.5 billion annually.

The FDA also promised to make internal changes, speeding its review procedures to reduce the time it takes for generic drugs to be declared safe.¹⁶

In January 2003, Public Act 539 of 2002 went into effect. This law required BCBSM to cover underwritten members for any drug or device prescribed for uses or in dosages other than those specifically approved by the Federal Food and Drug Administration when the prescribing physician can substantiate that the drug is recognized for the prescribed treatment. This law may have had a slight affect on utilization during this reporting period.

¹⁶ The Washington Post, 6/13/2003, Healthcare Trends on the Fast Track

COST GOAL PERFORMANCE

“Providers will be subject to reimbursement arrangements that will assure a rate of change in the total corporation payment per member to each provider class that is not higher than the compound rate of inflation and real economic growth.” This is expressed by the following formula:

$$\left[\frac{(100 + I) * (100 + REG)}{100} \right] - 100$$

PA 350 Cost Objectives

Objective 1

To provide equitable reimbursement to pharmacies, in return for high quality services that are delivered to BCBSM subscribers at a reasonable cost.

Objective 2

To strive toward limiting the increase in total pharmacy payments per member to the compound rate of inflation and real economic growth as specified in Public Act 350, giving consideration to Michigan and national health care market conditions.

Performance - Cost Goal and Objectives

BCBSM did not meet the cost goal by 3.3 percent for the retail segment and by 51.6 percent for the mail order segment. Although the pharmacy provider class did not independently achieve the cost goal, there has been competent, material and substantial information submitted to support a determination that the failure to achieve the goal was reasonable in accordance with Section 510(1)(b) of PA 350. The increase of 6.8 percent in the retail segment represents a significant slow down in growth from past experience and the increase of 55.1 percent for mail order primarily represents an increase in use due to a significant shift to mail order from the more expensive retail segment. The cost performance for retail claims during reporting period 2003-2004 is shown in Table 2A; mail order claims cost performance is shown in Table 2B.

Table 2A
Pharmacy Provider Class
2004-2003 Retail Claims
Performance Against Cost Goal

	2004	2003	2002
Payments:			
Total	\$1,496,750,461	\$1,561,581,943	\$1,495,545,095
Per 1,000 members	\$672,087.28	\$657,931.48	\$589,886.48
% change	2.2%	11.5%	
Scripts			
Total	26,744,851	29,917,262	30,647,126
Per 1,000 members	12,009.27	12,604.85	12,088.12
% change	-4.7%	4.3%	
Pymt/Script	\$55.96	\$52.20	\$48.80
% change	7.2%	7.0%	
Members	2,227,018	2,373,472	2,535,310
Achievement of Cost Goal			
Two Year Average Percent Change:	6.8%	2004 percent of Total Payout reported to OFIS*	33.1%
PA 350 Cost Goal	3.5%		
Goal Not Met		2004 ASC Business	51.2%

*Payout reported to OFIS includes Traditional claims for the hospital, MD, DO, clinical laboratory, fully licensed psychologist, podiatrist and chiropractor provider classes. Traditional and PPO claims are included for the outpatient psychiatric care and substance abuse provider classes. Traditional, PPO and POS claims are included for the SNF, home health care, rehabilitation therapy, ASF, hospice, ESRD, DME/P&O, ambulance, nurse specialists, HIT, dental, vision, hearing and pharmacy provider classes. See the technical notes section for more details.

Table 2B
Pharmacy Provider Class
2004-2003 Mail Order Claims
Performance Against Cost Goal

	2004	2003	2002
Payments:			
Total	\$871,797,886	\$492,500,567	\$432,753,862
Per 1,000 members	\$391,464.23	\$207,502.16	\$170,690.71
% change	88.7%	21.6%	
Scripts			
Total	6,345,859	3,789,676	3,479,695
Per 1,000 members	2,849.49	1,596.68	1,372.49
% change	78.5%	16.3%	
Pymt/Script **	\$137.38	\$129.96	\$124.37
% change	5.7%	4.5%	
Members	2,227,018	2,373,472	2,535,310
Achievement of Cost Goal			
Two Year Average Percent Change:	55.1%	2004 percent of Total Payout reported to OFIS*	19.3%
PA 350 Cost Goal	3.5%		
Goal Not Met		2004 ASC Business	82.6%

*Payout reported to OFIS includes Traditional claims for the hospital, MD, DO, clinical laboratory, fully licensed psychologist, podiatrist and chiropractor provider classes. Traditional and PPO claims are included for the outpatient psychiatric care and substance abuse provider classes. Traditional, PPO and POS claims are included for the SNF, home health care, rehabilitation therapy, ASF, hospice, ESRD, DME/P&O, ambulance, nurse specialists, HIT, dental, vision, hearing and pharmacy provider classes. See the technical notes section for more details.

** Although mail order payment per script appears higher than retail payment per script, it actually is less costly because it represents up to a 90-day supply and retail has a maximum supply of 34-days.

Mail order had a significant jump in use in 2004 from 2003. Customer groups mandated that their employees use the mail order program when possible by designing a cost-advantageous benefit package. Mail order saved approximately \$118 million based on a comparison of the average prices in the same top 10 therapeutic classes in the retail segment. The mail order segment provided further cost savings by dispensing three-month supplies of drugs, while retail is restricted to a 34-day supply and has higher dispensing costs.

The pharmacy provider class has been significantly influenced by several factors: increased use of mail order drugs and generic drugs; drugs recently approved by the FDA; a proliferation of drugs that combat serious illnesses; a growing number of lifestyle drugs; the public's response to advertising; and the public's healthy lifestyle choices.

The following discussion focuses on the two-year average performance of the top 50 therapeutic classes by payout and top 50 drugs by payout and utilization, as these factors significantly influence total performance. Appendices C1-C18 provide data for each individual year for the top 50 therapeutic classes and drugs. The individual drugs are ranked by payout and utilization.

The therapeutic classes are only ranked by payout, since the top 50 represent 95 percent of the therapeutic class utilization in the retail segment, and 97 percent in the mail order segment.

Top 50 Therapeutic Classes

A therapeutic class is a group of brand and generic drugs that are prescribed for similar illnesses. For instance, diabetic therapy would include all the drugs that are used to address all types of diabetes (Type 1 or 2) for adults and children.

The top 10 therapeutic classes by payout were the same for the retail and the mail order segments but in different order. The drugs that fall in the top 10 therapeutic classes are mainly considered maintenance drugs that deal with chronic illnesses, as opposed to infectious diseases. Since the mail order program allows a member to obtain a three-month supply of maintenance drugs, it makes sense that these top 10 classes represent 77 percent of total payout for mail order versus 59 percent for retail.

As shown in Tables 3A and 3B, blood fat reducers, which control cholesterol levels, are the highest payout in both the retail and mail order segments. This is mostly due to the lack of physical activity and poor eating habits of Michigan adults. In fact, more than 50 percent of adults reported participating in physical activity less than the recommended 30 minutes per day, and 25 percent participated in no leisure-time physical activity at all. In addition, Michigan ranks third worst among states for rates of obesity and has been among the 10 states with the heaviest populations for the past 14 years.¹⁷

UNCLASSIFIED DRUG PRODUCTS

There is a therapeutic class called unclassified drug products that represents drugs that do not yet have an assigned therapeutic class. The majority of the drugs falling into this class are for the following illnesses:

- ◆ Multiple sclerosis
- ◆ Erectile dysfunction
- ◆ Transplants (kidney, heart, liver)
- ◆ Osteoporosis
- ◆ Chronic irritable bowel syndrome

These drugs had a combined payout of just under half a billion dollars (\$467.9 million) in this reporting period, representing 7.4 percent of total payout, compared to the 1994-1996 reporting period when its payout was \$47.8 million representing 2 percent of the total payout.

Unclassified drug products also had the highest increase in payment during this reporting period: 13 percent, as shown in table 3C. Advertising and advanced technology were a couple of key factors that impacted the increase in this class. For example, advertisements for drugs associated with erectile dysfunction used to target older men with this condition. Today's ads focus on middle-aged healthy men. This had a huge impact on the increased payout for this type of drug.

¹⁷ Michigan Healthy 2010 report dated April 8, 2004, www.michigan.gov

There are many other drugs in the unclassified drug products class that have helped people with serious conditions such as multiple sclerosis, transplants and osteoporosis to survive or live better lives. The technology and research needed to develop these drugs have a huge impact on the increase in prescription drug costs, but the value they can bring to a person's life is remarkable. For example, there are an estimated 2.5 million people worldwide that have multiple sclerosis, a chronic and disabling disease, with healthcare costs disproportionate to the numbers affected. In the United States alone, cost is estimated at \$10 billion per year. After trauma, it is the second most common neurological disability to affect young and middle-aged adults.¹⁸ Many drugs have been marketed that have revolutionized treatment for patients with multiple sclerosis such as Copaxone, a brand name drug on the Top 50 Retail Drug Payout Table 4A, with an average payment per script of \$1,045 and a total three-year payout of over \$20 million.

THERAPEUTIC CLASSES IMPACTING THE NET INCREASE IN PAYMENT

Table 3C shows the therapeutic classes in the retail segment that had the greatest impact on net increase in payout. The top 10 payout retail therapeutic classes, listed in Tables 5A and 5B, did not all result in increases in payment during this reporting period. In fact, four (antiulcer, antihypertensive, cardiovascular and antihistamines) were in the top five classes that had the largest decreases in payment. Only two (antidepressants and unclassified drug products) were in the top five of the highest increases in payments. Antiulcer and antihistamines had patents that expired since the last pharmacy detailed report in 1994–1996, and many drugs became available over-the-counter (e.g., Zantac and Claritin), explaining the decreases in these therapeutic classes during this reporting period. In addition, many of these drugs are being purchased through the mail order program.

The anticonvulsant therapeutic class had the second highest increase in total payments at \$10.9 million. This was influenced by a popular drug called Neurontin with a total payout in both the retail and mail order segments of \$30 million. This drug is used to treat seizures (epilepsy) and shingles. The pain reliever (narcotic) therapeutic class increased \$10.8 million because of the increase in use of Oxycontin, which offers an extended release to help relieve moderate to moderately severe pain. Oxycontin was the fifth highest in top 50 retail drug payout with an increase in use of 20.7 percent during this reporting period. The anticoagulant therapeutic class had the fourth highest increase in payments of \$9.2 million due to the increase in stent placement surgeries being conducted for patients with coronary heart disease. The anticoagulants are used to prevent clots associated with stent placement. In addition, BCBSM is seeing an increased use of low molecular weight heparins, which are other anticoagulant drugs, allowing patients to leave the hospital setting more quickly after hip and knee replacement surgeries.

MAIL ORDER

In 2004, payout under the mail order program increased 89 percent largely due to customer groups mandating the mail order drug program for their employees. BCBSM had 10 mail order riders approved during this period. The top 10 therapeutic classes in total payout also experienced the highest increases except for antihistamines, and again this is because so many were also available over-the-counter. Table 3D shows the top five drugs impacting the increases

¹⁸ www.drugdevelopment-technology.com, Therapy for the Treatment of Multiple Sclerosis, published April 1, 2005

in payment during this reporting period. Since mail order is a growing program, there were insignificant data to report regarding decreases in payment. More information on the mail order program is outlined in the Access Section under “Other Access Issues.”

Table 3A
Pharmacy Provider Class - Retail
2002-2004 Top 50 Therapeutic Classes by Payout

Therapeutic Class	2-Yr Avg Chg per 1000			2004-2002 Payments	2004-2002 Scripts	Avg Pymt/ Script	Percent of Total	
	Payments	Scripts	Price				Payout	Scripts
Blood fat reducers	8.9%	7.3%	1.4%	\$ 457,669,380	4,410,186	\$ 103.78	10.1%	5.1%
Antiulcer	1.7%	-0.6%	2.3%	\$ 404,006,801	4,008,873	\$ 100.78	8.9%	4.6%
Antidepressants	11.2%	5.7%	5.3%	\$ 320,715,063	5,388,624	\$ 59.52	7.0%	6.2%
Unclassified drug products	14.2%	6.4%	7.4%	\$ 311,785,532	3,851,175	\$ 80.96	6.8%	4.4%
Antiarthritis	10.0%	-3.0%	13.3%	\$ 282,233,510	4,281,094	\$ 65.93	6.2%	4.9%
Antihypertensives	-2.3%	0.1%	-2.2%	\$ 194,493,819	5,972,338	\$ 32.57	4.3%	6.8%
Diabetic therapy	6.2%	-1.2%	7.6%	\$ 189,627,291	3,420,245	\$ 55.44	4.2%	3.9%
Cardiovascular	-1.6%	-2.9%	1.1%	\$ 189,171,497	5,335,534	\$ 35.46	4.2%	6.1%
Bronchial dilators-asthma	15.0%	3.9%	10.6%	\$ 162,781,972	2,665,115	\$ 61.08	3.6%	3.1%
Antihistamines	-15.6%	-13.1%	-2.8%	\$ 154,238,552	3,236,712	\$ 47.65	3.4%	3.7%
Pain relievers, narcotic	20.0%	4.7%	14.7%	\$ 137,902,075	4,473,209	\$ 30.83	3.0%	5.1%
Anticonvulsants	22.7%	8.0%	13.6%	\$ 118,774,726	1,463,315	\$ 81.17	2.6%	1.7%
Anticoagulants	23.0%	9.4%	12.4%	\$ 103,103,517	1,410,957	\$ 73.07	2.3%	1.6%
Antianxiety agents	8.9%	1.4%	7.1%	\$ 97,450,871	2,146,540	\$ 45.40	2.1%	2.5%
Pain relievers	4.0%	-3.8%	8.1%	\$ 93,685,456	708,121	\$ 132.30	2.1%	0.8%
Hematinics	0.9%	-3.0%	4.5%	\$ 81,149,866	249,766	\$ 324.90	1.8%	0.3%
Other hormones	11.1%	-4.0%	15.7%	\$ 79,324,657	262,348	\$ 302.36	1.7%	0.3%
Antivirus	7.4%	2.5%	4.8%	\$ 78,580,736	509,865	\$ 154.12	1.7%	0.6%
Anticancer	6.0%	-1.1%	7.3%	\$ 74,189,669	429,825	\$ 172.60	1.6%	0.5%
Dermatologicals	17.6%	6.1%	11.0%	\$ 68,696,004	841,822	\$ 81.60	1.5%	1.0%
Fungicides	4.2%	-2.3%	6.6%	\$ 63,022,129	1,179,152	\$ 53.45	1.4%	1.4%
Nose and ear	5.7%	-2.5%	8.4%	\$ 60,064,691	1,346,514	\$ 44.61	1.3%	1.5%
Glucocorticoids	-0.2%	-2.0%	1.8%	\$ 56,021,624	2,203,036	\$ 25.43	1.2%	2.5%
Hormones, estrogens	-23.8%	-26.4%	3.4%	\$ 54,355,726	1,621,856	\$ 33.51	1.2%	1.9%
Antibiotics, erythromycins	1.1%	-0.3%	1.4%	\$ 51,232,242	1,602,290	\$ 31.97	1.1%	1.8%
Eye preparation	5.0%	-1.3%	6.4%	\$ 48,000,759	1,398,165	\$ 34.33	1.1%	1.6%
Antibiotics, other	-9.5%	-4.7%	-4.0%	\$ 43,602,281	826,597	\$ 52.75	1.0%	0.9%
Antibiotics, pncicillins	-5.1%	-2.7%	-2.2%	\$ 40,800,931	2,293,364	\$ 17.79	0.9%	2.6%
Contraceptives, oral	16.1%	9.1%	6.7%	\$ 40,780,290	1,753,794	\$ 23.25	0.9%	2.0%
Antibacterials, urinary	10.1%	4.6%	5.2%	\$ 38,071,511	632,594	\$ 60.18	0.8%	0.7%
Antinauseants	24.3%	-0.9%	25.3%	\$ 36,315,718	471,681	\$ 76.99	0.8%	0.5%
Sedative, non-barbiturate	21.1%	7.2%	13.0%	\$ 35,125,418	762,016	\$ 46.10	0.8%	0.9%
Stimulants	13.8%	-1.0%	14.9%	\$ 31,800,415	543,032	\$ 58.56	0.7%	0.6%
Parasympathetic agents	16.9%	11.6%	4.7%	\$ 31,397,669	273,524	\$ 114.79	0.7%	0.3%
Antibiotics, cephalosporins	-5.0%	-1.6%	-3.5%	\$ 29,583,920	972,369	\$ 30.42	0.6%	1.1%
Thyroid preparations	0.3%	1.0%	-1.2%	\$ 25,181,321	1,964,154	\$ 12.82	0.6%	2.2%
Muscle relaxants	24.0%	2.7%	20.3%	\$ 23,011,282	794,438	\$ 28.97	0.5%	0.9%
Diuretics (water pills)	-2.0%	-0.7%	-1.5%	\$ 17,489,682	2,599,907	\$ 6.73	0.4%	3.0%
Antibiotics, tetracyclines	21.1%	-3.3%	25.0%	\$ 17,313,406	551,528	\$ 31.39	0.4%	0.6%
Amphetamine -weight loss	28.6%	15.7%	11.2%	\$ 17,044,767	246,508	\$ 69.14	0.4%	0.3%
Antiobesity	-12.9%	-10.4%	-2.8%	\$ 16,055,607	256,501	\$ 62.59	0.4%	0.3%
Electrolytes and nutrients	1.0%	-5.2%	6.5%	\$ 15,989,541	833,032	\$ 19.19	0.4%	1.0%
Antiparkinson	1.5%	-1.3%	3.1%	\$ 15,917,414	242,931	\$ 65.52	0.3%	0.3%
Hormones, androgens	21.9%	12.3%	8.5%	\$ 12,890,704	88,253	\$ 146.07	0.3%	0.1%
Vasodilators, coronary	-14.9%	-10.9%	-4.9%	\$ 10,294,886	884,893	\$ 11.63	0.2%	1.0%
Medical supplies	0.9%	-0.3%	1.2%	\$ 9,417,028	388,561	\$ 24.24	0.2%	0.4%
Cough and cold	-1.9%	-4.9%	2.9%	\$ 8,862,078	561,338	\$ 15.79	0.2%	0.6%
Anesthetics, local	47.3%	7.6%	36.9%	\$ 7,548,707	195,807	\$ 38.55	0.2%	0.2%
Biologicals	36.4%	15.6%	17.6%	\$ 7,127,627	3,609	\$ 1,974.96	0.2%	0.0%
Antispasmodic	211.6%	30.0%	113.4%	\$ 7,102,201	311,223	\$ 22.82	0.2%	0.4%
Top 50 Total	6.9%	0.0%	6.9%	\$ 4,471,002,568	82,868,331	\$ 53.95	98.2%	94.9%
Grand Total	6.8%	-0.2%	7.1%	\$ 4,553,877,499	87,309,239	\$ 52.16	100.0%	100.0%

Table 3B
Pharmacy Provider Class – Mail Order
2002-2004 Top 50 Therapeutic Classes by Payout

Therapeutic Class Name	2-Year Avg % Chg per 1000 Members			2002-2004 Payments	2002-2004 Scripts	Avg Pymt/Script	Percent to Total	
	Payments	Scripts	Price				Payout	Scripts
Blood fat reducers	67.0%	61.8%	2.9%	\$ 286,651,263	1,405,089	\$ 204.01	16.0%	10.3%
Antiulcer	45.3%	45.8%	-2.2%	\$ 209,004,139	817,074	\$ 255.80	11.6%	6.0%
Unclassified drug products	55.1%	48.0%	5.0%	\$ 156,086,237	748,278	\$ 208.59	8.7%	5.5%
Antiarthritis	50.7%	38.1%	9.2%	\$ 150,656,354	727,639	\$ 207.05	8.4%	5.3%
Antihypertensives	62.1%	55.7%	3.1%	\$ 119,082,873	1,485,241	\$ 80.18	6.6%	10.9%
Diabetic therapy	57.2%	51.7%	4.1%	\$ 114,570,647	796,109	\$ 143.91	6.4%	5.8%
Antidepressants	46.6%	44.3%	1.9%	\$ 106,070,972	691,244	\$ 153.45	5.9%	5.1%
Cardiovascular	61.9%	55.6%	3.0%	\$ 101,361,864	1,366,659	\$ 74.17	5.6%	10.0%
Bronchial dilators-asthma	69.5%	52.9%	11.0%	\$ 75,153,342	409,914	\$ 183.34	4.2%	3.0%
Antihistamines	22.9%	24.3%	-3.0%	\$ 57,791,620	414,865	\$ 139.30	3.2%	3.0%
Anticoagulants	97.5%	69.7%	15.7%	\$ 51,692,488	320,807	\$ 161.13	2.9%	2.4%
Anticonvulsants	67.7%	54.8%	8.9%	\$ 41,349,549	195,602	\$ 211.40	2.3%	1.4%
Anticancer	56.8%	37.3%	12.3%	\$ 24,576,077	75,810	\$ 324.18	1.4%	0.6%
Antianxiety	67.1%	55.4%	8.2%	\$ 23,996,169	202,477	\$ 118.51	1.3%	1.5%
Nose and ear	43.7%	32.4%	8.3%	\$ 22,022,872	187,074	\$ 117.72	1.2%	1.4%
Pain relievers	36.0%	29.6%	5.1%	\$ 21,819,312	67,831	\$ 321.67	1.2%	0.5%
Hormones, estrogens	14.6%	-0.3%	13.6%	\$ 19,120,070	382,978	\$ 49.92	1.1%	2.8%
Eye preparation	80.4%	55.1%	15.4%	\$ 16,766,343	140,471	\$ 119.36	0.9%	1.0%
Antivirus	43.9%	32.9%	8.4%	\$ 14,158,846	31,546	\$ 448.83	0.8%	0.2%
Parasympathetic agents	80.0%	71.7%	4.7%	\$ 14,098,556	45,569	\$ 309.39	0.8%	0.3%
Other hormones	34.5%	22.3%	12.2%	\$ 13,136,047	35,568	\$ 369.32	0.7%	0.3%
Glucocorticoids	30.0%	25.6%	2.6%	\$ 12,814,337	151,496	\$ 84.59	0.7%	1.1%
Pain relievers, narcotic	70.7%	57.1%	6.9%	\$ 11,907,420	160,951	\$ 73.98	0.7%	1.2%
Sedative, non-barbiturate	75.4%	52.9%	14.3%	\$ 10,371,590	85,883	\$ 120.76	0.6%	0.6%
Hematinics	69.7%	52.8%	12.8%	\$ 9,585,467	24,231	\$ 395.59	0.5%	0.2%
Antiparkinson	45.2%	44.6%	0.5%	\$ 8,341,821	47,811	\$ 174.47	0.5%	0.4%
Thyroid preparations	29.1%	47.7%	-10.3%	\$ 7,599,257	497,805	\$ 15.27	0.4%	3.7%
Vasodilators, coronary	38.5%	44.8%	-4.6%	\$ 6,914,536	187,804	\$ 36.82	0.4%	1.4%
Fungicides	36.1%	26.4%	7.5%	\$ 6,853,361	45,124	\$ 151.88	0.4%	0.3%
Diuretics (water pills)	34.4%	56.1%	-15.2%	\$ 6,519,893	646,318	\$ 10.09	0.4%	4.7%
Dermatologicals	58.3%	37.9%	14.1%	\$ 6,203,226	46,783	\$ 132.60	0.3%	0.3%
Electrolytes and nutrients	58.3%	54.0%	2.3%	\$ 5,804,106	195,564	\$ 29.68	0.3%	1.4%
Muscle relaxants	57.0%	45.2%	7.7%	\$ 5,730,364	58,390	\$ 98.14	0.3%	0.4%
Antispasmodic	796.2%	155.2%	157.4%	\$ 5,286,382	53,672	\$ 98.49	0.3%	0.4%
Hormones, androgens	68.3%	51.1%	12.0%	\$ 4,760,297	12,677	\$ 375.51	0.3%	0.1%
Cholesterol reducers	29.8%	20.9%	7.3%	\$ 4,142,328	19,947	\$ 207.67	0.2%	0.1%
Contraceptives, oral	17.6%	24.3%	-5.8%	\$ 3,744,955	92,966	\$ 40.28	0.2%	0.7%
Antinauseants	71.0%	53.2%	12.0%	\$ 3,487,728	38,591	\$ 90.38	0.2%	0.3%
Antiobesity	39.8%	25.3%	9.3%	\$ 3,397,128	17,255	\$ 196.88	0.2%	0.1%
Medical supplies	46.5%	39.2%	4.6%	\$ 2,776,380	70,066	\$ 39.63	0.2%	0.5%
Antibiotics, tetracyclines	42.0%	22.6%	15.7%	\$ 2,330,070	23,039	\$ 101.14	0.1%	0.2%
Stimulants	61.9%	44.4%	12.4%	\$ 2,091,805	12,311	\$ 169.91	0.1%	0.1%
Enzymes	37.1%	40.2%	0.4%	\$ 1,910,043	4,890	\$ 390.60	0.1%	0.0%
Antimalaria	41.0%	40.2%	1.9%	\$ 1,835,380	39,681	\$ 46.25	0.1%	0.3%
Anesthetics, local/topical	126.0%	86.6%	25.8%	\$ 1,790,275	6,779	\$ 264.09	0.1%	0.0%
Cough suppressants	7.4%	-4.7%	12.6%	\$ 1,767,055	21,209	\$ 83.32	0.1%	0.2%
Antibiotics, other	17.3%	20.3%	-2.3%	\$ 1,693,553	15,219	\$ 111.28	0.1%	0.1%
Bile therapy for digestion	52.3%	48.7%	2.4%	\$ 1,515,564	4,979	\$ 304.39	0.1%	0.0%
Amphetamine-weight loss	87.9%	73.6%	7.7%	\$ 1,076,393	5,753	\$ 187.10	0.1%	0.0%
Aldosterone antagonists	83.3%	65.8%	5.8%	\$ 1,008,699	39,483	\$ 25.55	0.1%	0.3%
Top 50 Total 2002-2004	55.5%	48.0%	4.9%	\$ 1,782,425,051	13,174,522	\$ 135.29	99.2%	96.8%
Grand Total 2002-2004	55.1%	47.4%	5.1%	\$ 1,797,052,315	13,615,230	\$ 131.99	100.0%	100.0%

Table 3C
Pharmacy Provider Class
2002-2004 Top Five Retail Therapeutic Classes
Impacting Increases and Decreases in Total Payout

Therapeutic Class	Increased/(Decreased) Payments	Percent to Total Increase/(Decrease)
Unclassified drug products	\$ 13,954,855	13.0%
Anticonvulsants	\$ 10,884,533	10.1%
Pain relievers, narcotic	\$ 10,755,320	10.0%
Anticoagulants	\$ 9,238,612	8.6%
Antidepressants	\$ 8,690,115	8.1%
Total Top Five TX Increases	\$ 53,523,435	49.8%
Total Increases	\$ 107,470,107	100.0%
Antihistamines	\$ (24,558,035)	23.1%
Antiulcers	\$ (13,298,248)	12.5%
Hormones, estrogen	\$ (12,335,529)	11.6%
Antihypertensives	\$ (11,338,556)	10.7%
Cardiovascular	\$ (10,449,419)	9.8%
Total Top Five TX Decreases	\$ (71,979,787)	67.8%
Total Decreases	\$ (106,264,740)	100.0%

Table 3D
Pharmacy Provider Class
2002-2004 Top Five Mail Order Therapeutic Classes
Impacting Increases in Total Payout

Therapeutic Class	Increased/(Decreased) Payments	Percent to Total Increase/(Decrease)
Blood fat reducers	\$ 83,880,429	19.1%
Antiulcer	\$ 40,313,294	9.2%
Unclassified drug products	\$ 38,753,459	8.8%
Antiarthrititis	\$ 34,409,677	7.8%
Antihypertensives	\$ 32,067,217	7.3%
Total Top Five TX Increases	\$ 229,424,076	52.2%
Total Increases	\$ 439,810,421	100.0%
Total Decreases	\$ (766,424)	100.0%

Overview of Top 50 Drugs

Tables 4A-4D reflect the top 50 drugs by payout in 2004 and the corresponding data from 2003 and 2002. The drugs are identified by their unique GCN (generic code number) which is a unique standard number assigned by First Data Bank (a drug pricing service) to each strength, formulation and route of administration of a drug entity (e.g., atenolol 25mg tablets, oral). The tables are labeled with the brand name rather than generic name because it is the more recognizable name (e.g., brand name Prevacid has the generic name lansoprazole). One drug may have multiple GCNs depending on the product's available strengths, forms and routes of administration. When two different GCNs appear in the top 50 drug tables with the same brand name, a corresponding strength is included to differentiate between the brand names.

Brand names that are available in multiple sources are marked with an asterisk. These drugs are found in the top 50 drug utilization tables more often than the top 50 drug payout tables. This would be expected since multiple source drugs have generic equivalents and the patent has been lifted from the single source. These drugs are significantly lower in price as the data will show below.

Brand names that are bolded indicate the drug was approved by the FDA during 2001-2004. These drugs are generally higher in price because of the cost involved with research and marketing. There may be exceptions. For instance, Prilosec became available in generic form in September 2003. Although it is marked as a multiple source drug in the table, it has a similar payment per script as some of the newer drugs in that therapeutic class. This is because in 2002, Prilosec on average cost \$129 per script and represented 42 percent of the drug utilization in this reporting period, compared to the time it became generic at a lower price and only represented approximately 24 percent of the utilization.

The tables below show the two-year average change in payments, utilization and price; the combined 2002-2004 payment and utilization with the average payment per script; and the percent to total payout and total scripts.

Top 50 Drugs by Payout

The top 50 drugs by payout are split by retail and mail order segments as shown in Tables 4A and 4B, respectively. The top drug for both retail and mail order was Prevacid. Prevacid is in a class of drugs called proton pump inhibitors (a.k.a. the antiulcer therapeutic class) that block the production of acid in the stomach. Other drugs in the same class include Aciphex, Prilosec, Protonix and Nexium. All of these drugs are in the top 50 payout and represented 7.5 percent of the total payout in retail and 9.9 percent of the total payout in mail order during this reporting period. In the 1994-1996 detailed report, antiulcer drugs were also the highest payout with the number one drug being Zantac, now an over-the-counter drug, and Prilosec the second highest with an average increase in payment of 43 percent. Although Prilosec was still second highest in the retail segment during this reporting period, it had an average decrease in payment of 29 percent. This emphasizes that pharmaceutical research and technology are resulting in many new drugs being put on the market.

Eleven of the drugs in the top 50 drug tables were approved by the FDA during 2001-2004 as compared to only one in 1994-1996. Newly approved FDA drugs usually have a higher cost associated with them

due to the research and development cost involved in manufacturing them. These drugs have 17-year patents to help the manufacturers recoup their expenses.

Payout for blood fat reducers was highest among the top 50 therapeutic classes for both retail and mail order segments. These are cholesterol-lowering medicines that inhibit the production of cholesterol by the liver. They lower overall blood cholesterol as well as blood LDL cholesterol levels. LDL cholesterol is believed to be the “bad” cholesterol that is primarily responsible for the development of coronary artery disease. Lowering LDL cholesterol levels retards progression of, and may even reverse coronary artery disease. Popular brand names are Lipitor, Mevacor, Zocor and Pravachol, which are all listed in Tables 4A and 4B. These types of drugs help decrease expenses on the medical/surgical side of health care and improve the quality of life for those who otherwise may have had a heart attack, stroke or needed bypass surgery. The next highest payout in the top 50 retail drug payout was for Celebrex an antiarthritis drug. There are five drugs in this class, three which were approved by the FDA during 2001-2004. Enbrel and Humira treat rheumatoid arthritis through injection and had an average payment per script of over \$1,000. The others, Bextra, Celebrex and Vioxx, treat pain and arthritis. Vioxx was pulled from shelves in late 2004 due to adverse cardiovascular events including heart attack and stroke.

Although the antiulcer, blood fat reducers and antiarthritis therapeutic classes had drugs in the top five payout, they were not the top five therapeutic classes that impacted increases in payment in the retail segment. These drugs, which represented 50 percent of the total increases, were unclassified drug products, anticonvulsants, narcotic pain relievers, anticoagulants and antidepressants, as shown on Table 3C. Some of the top 50 drugs in these therapeutic classes are discussed below.

Six drugs in the top 50 retail drug payout fell into the unclassified drug products therapeutic class. This class had the highest increase in payments (\$14 million) during this reporting period. Fosamax, Evista and Actonel treat osteoporosis by slowing down the rate at which the bone is dissolved and increasing the amount of new bone. Another drug in this class is Viagra. It is estimated that impotence affects 140 million men worldwide. Impotence in over half of all men is the result of a medical cause, such as diabetes, neurological or urological conditions. The remainder experienced impotence as a result of psychogenic causes. Flomax is a drug for the treatment of men who are having difficulty urinating because of benign prostatic hyperplasia. Copaxone is the final drug in this class that fell in the top 50 retail payout with an average payment per script of \$1,045. This medication is used to treat multiple sclerosis and helped decrease the number of flare-ups of the disease.¹⁹

The next three highest therapeutic classes all had one drug listed in the top 50 retail drug payout. The first was Neurontin, part of the anticonvulsant class, which is used to treat seizures (epilepsy) and shingles. The second drug was Oxycontin, a narcotic pain-reliever and cough suppressant. The third drug was Plavix, which inhibits the ability of platelets to clump together as part of a blood clot. Individuals with high risk of heart attacks and strokes are common candidates for this drug treatment.

The fifth highest therapeutic class that increased payments was antidepressants. There were three GCNs in the top 50 retail drug payout. Effexor XR (75 mg and 150 mg) and Lexapro were approved by the FDA during 2001-2004 and Zoloft 50 mg and Zoloft 100mg were the other two drugs in the antidepressant class.

¹⁹ Drug information was obtained from MedicineNet.com

Table 4A
Pharmacy Provider Class
2002-2004 Top 50 Retail Drugs by Payout

Brand Name	2-Year Avg % Chg per 1000 Members							
	Payments	Scripts	Price	2004-2002 Payments	2004-2002 Scripts	Avg Pymt per Script	% To Total Payout	% To Total Scripts
Prevacid	6.5%	1.6%	4.7%	\$ 108,670,243	848,099	\$128	2.4%	1.0%
Prilosec *	-29.2%	-19.0%	-12.7%	\$ 87,673,501	750,086	\$117	1.9%	0.9%
Lipitor 10mg	0.2%	-5.6%	6.2%	\$ 86,928,084	1,034,754	\$84	1.9%	1.2%
Lipitor 20mg	5.9%	0.5%	5.2%	\$ 78,819,979	606,662	\$130	1.7%	0.7%
Celebrex	-5.7%	-8.0%	2.5%	\$ 76,721,990	827,891	\$93	1.7%	0.9%
Nexium	37.8%	27.9%	7.8%	\$ 74,294,680	623,674	\$119	1.6%	0.7%
Zocor 20mg	-3.5%	-8.8%	5.7%	\$ 70,993,723	428,956	\$166	1.6%	0.5%
Plavix	28.7%	20.7%	6.7%	\$ 59,573,101	601,653	\$99	1.3%	0.7%
Enbrel	41.8%	31.8%	7.8%	\$ 59,317,386	50,983	\$1,163	1.3%	0.1%
Vioxx	-13.1%	-16.5%	4.1%	\$ 47,840,229	669,203	\$71	1.1%	0.8%
Zocor 40mg	17.3%	11.9%	4.9%	\$ 41,937,580	257,251	\$163	0.9%	0.3%
Protonix	29.4%	21.0%	6.5%	\$ 38,613,264	420,373	\$92	0.8%	0.5%
Singular	21.4%	16.2%	4.5%	\$ 36,780,840	420,837	\$87	0.8%	0.5%
Fosamax	9.2%	3.7%	5.5%	\$ 36,151,127	681,330	\$53	0.8%	0.8%
Aciphex	11.1%	3.4%	7.7%	\$ 35,113,027	300,275	\$117	0.8%	0.3%
Pravachol	3.6%	-1.1%	4.9%	\$ 31,734,405	194,153	\$163	0.7%	0.2%
Zolof 50mg	5.2%	0.6%	4.7%	\$ 30,901,888	448,389	\$69	0.7%	0.5%
Advair Diskus 250-50mcg	28.8%	22.3%	5.3%	\$ 30,305,623	259,092	\$117	0.7%	0.3%
Lipitor 40mg	7.2%	6.3%	1.0%	\$ 29,966,629	222,067	\$135	0.7%	0.3%
Allegra	26.3%	19.9%	5.4%	\$ 29,385,293	525,600	\$56	0.6%	0.6%
Zyrtec	3.0%	0.6%	2.5%	\$ 28,608,819	626,333	\$46	0.6%	0.7%
Zolof 100mg	9.4%	3.8%	5.4%	\$ 25,755,740	350,954	\$73	0.6%	0.4%
Norvasc 10mg	-0.3%	-0.8%	0.6%	\$ 24,389,732	348,156	\$70	0.5%	0.4%
Effexor XR 75 mg	33.1%	20.0%	11.0%	\$ 23,831,833	230,313	\$103	0.5%	0.3%
Epogen, Procrit	-3.6%	-5.0%	1.7%	\$ 23,630,871	11,830	\$1,998	0.5%	0.0%
Ambien PAK	27.2%	15.7%	9.9%	\$ 23,551,386	390,893	\$60	0.5%	0.4%
Lamisil	14.7%	6.3%	8.0%	\$ 23,103,559	100,306	\$230	0.5%	0.1%
Zithromax	2.0%	-0.7%	2.8%	\$ 23,086,841	785,482	\$29	0.5%	0.9%
Norvasc 5mg	-1.5%	-6.0%	4.8%	\$ 22,492,075	452,625	\$50	0.5%	0.5%
Levaquin	6.4%	3.9%	2.3%	\$ 22,478,794	299,020	\$75	0.5%	0.3%
Viagra	2.5%	-1.1%	3.5%	\$ 22,458,255	303,907	\$74	0.5%	0.3%
Neurontin *	4.8%	3.5%	1.2%	\$ 20,580,737	208,389	\$99	0.5%	0.2%
Copaxone	17.7%	5.7%	11.6%	\$ 20,043,104	19,178	\$1,045	0.4%	0.0%
Actos 40mg	5.7%	-1.3%	7.0%	\$ 19,225,710	129,027	\$149	0.4%	0.1%
Flonase	7.3%	1.7%	5.6%	\$ 19,106,200	397,316	\$48	0.4%	0.5%
Tricor	30.7%	13.7%	14.6%	\$ 18,841,727	259,214	\$73	0.4%	0.3%
Actos 30mg	4.7%	-1.6%	6.5%	\$ 18,602,692	136,931	\$136	0.4%	0.2%
Evista	3.1%	-5.2%	8.7%	\$ 18,444,340	298,742	\$62	0.4%	0.3%
Oxycontin *	24.4%	20.7%	3.0%	\$ 17,866,236	20,858	\$857	0.4%	0.0%
Clarinet	38.6%	21.9%	12.8%	\$ 17,602,700	331,316	\$53	0.4%	0.4%
Allegra-D 12 Hour	18.1%	11.8%	5.7%	\$ 17,292,979	348,674	\$50	0.4%	0.4%
Flomax	8.6%	4.4%	3.6%	\$ 17,168,384	344,888	\$50	0.4%	0.4%
Effexor XR 150 mg	32.2%	18.0%	12.0%	\$ 16,683,540	180,039	\$93	0.4%	0.2%
Advair Diskus 500-50mcg	24.4%	16.5%	6.6%	\$ 15,577,296	92,462	\$168	0.3%	0.1%
Advair Diskus 100-50mcg	22.3%	16.5%	4.9%	\$ 15,456,326	172,318	\$90	0.3%	0.2%
Bextra	109.3%	97.6%	5.8%	\$ 13,184,263	176,320	\$75	0.3%	0.2%
Lexapro	523.5%	503.2%	2.6%	\$ 11,998,349	231,600	\$52	0.3%	0.3%
Zetia	2690.2%	2677.5%	5.0%	\$ 11,901,101	208,222	\$57	0.3%	0.2%
Actonel	229.8%	219.6%	4.7%	\$ 10,678,554	205,105	\$52	0.2%	0.2%
Humira	119.5%	102.5%	8.4%	\$ 9,047,241	7,058	\$1,282	0.2%	0.0%
Total of Top 50	11.3%	6.7%	4.4%	\$ 1,664,411,977	17,838,804	\$93	36.5%	20.4%
Grand Total	6.8%	-0.2%	7.1%	\$ 4,553,877,499	87,309,239	\$52	100.0%	100.0%

Note: The top 50 drugs from 2004 were used as a basis for selecting the 2003 and 2002 drugs used in this table. Drugs with asterisks are generic and drugs bolded were FDA approved within 2001-2004.

Table 4B
Pharmacy Provider Class
2002-2004 Top 50 Mail Order Drugs by Payout

MOPD Brand Name	2-Year Avg % Chg per 1000 Members							
	Payments	Scripts	Price	2004-2002 Payments	2004-2002 Scripts	Avg Price per Script	% To Total Payout	% To Total Script
Prevacid	72.2%	66.1%	3.6%	\$ 51,429,553	153,452	\$ 335.15	2.9%	1.1%
Celebrex	41.5%	37.3%	2.6%	\$ 49,951,467	201,989	\$ 247.30	2.8%	1.5%
Zocor 20mg	41.9%	37.8%	2.9%	\$ 49,643,597	167,374	\$ 296.60	2.8%	1.2%
Prilosec *	-24.1%	5.5%	-29.3%	\$ 46,274,036	209,398	\$ 220.99	2.6%	1.5%
Lipitor 10mg	53.1%	45.5%	4.5%	\$ 45,475,023	306,129	\$ 148.55	2.5%	2.2%
Nexium	126.0%	111.2%	6.9%	\$ 44,152,422	140,573	\$ 314.09	2.5%	1.0%
Lipitor 20mg	63.3%	58.7%	2.9%	\$ 43,631,607	189,453	\$ 230.30	2.4%	1.4%
Plavix	108.2%	94.1%	6.9%	\$ 39,904,607	145,014	\$ 275.18	2.2%	1.1%
Zocor 40mg	67.8%	62.5%	3.1%	\$ 31,769,840	107,125	\$ 296.57	1.8%	0.8%
Fosamax	53.0%	45.8%	4.7%	\$ 25,644,617	179,891	\$ 142.56	1.4%	1.3%
Vioxx	17.4%	12.9%	4.0%	\$ 24,309,308	128,902	\$ 188.59	1.4%	0.9%
Enbrel	67.1%	56.0%	7.1%	\$ 23,637,041	7,838	\$ 3,015.70	1.3%	0.1%
Protonix	94.1%	82.0%	6.7%	\$ 20,266,210	82,787	\$ 244.80	1.1%	0.6%
Lipitor 40mg	65.4%	67.3%	-2.0%	\$ 19,340,383	81,349	\$ 237.75	1.1%	0.6%
Singulair	71.3%	63.1%	4.6%	\$ 17,551,867	92,057	\$ 190.66	1.0%	0.7%
Advair diskus 250-50mcg	85.2%	73.0%	7.0%	\$ 15,820,358	50,078	\$ 315.91	0.9%	0.4%
Pravachol 40mg	73.7%	66.1%	3.8%	\$ 15,607,496	52,834	\$ 295.41	0.9%	0.4%
Aciphex	82.9%	73.5%	5.2%	\$ 14,490,378	46,120	\$ 314.19	0.8%	0.3%
Actos 45mg	58.6%	49.1%	6.0%	\$ 14,233,682	36,077	\$ 394.54	0.8%	0.3%
Evista	40.2%	29.5%	8.2%	\$ 14,003,820	87,604	\$ 159.85	0.8%	0.6%
Norvasc 5mg	62.7%	52.8%	5.5%	\$ 14,001,634	138,100	\$ 101.39	0.8%	1.0%
Tricor	97.1%	72.9%	13.9%	\$ 13,787,921	69,831	\$ 197.45	0.8%	0.5%
Actos 30mg	60.4%	51.3%	5.7%	\$ 13,559,087	37,267	\$ 363.84	0.8%	0.3%
Norvasc 10mg	82.4%	78.2%	0.8%	\$ 13,282,465	95,849	\$ 138.58	0.7%	0.7%
Allegra	77.2%	70.0%	4.2%	\$ 13,111,603	88,874	\$ 147.53	0.7%	0.7%
Zyrtec	43.5%	40.4%	1.8%	\$ 12,717,785	101,702	\$ 125.05	0.7%	0.7%
Flomax	61.8%	55.7%	4.2%	\$ 11,713,074	87,029	\$ 134.59	0.7%	0.6%
Zolof 50mg	47.5%	40.8%	4.5%	\$ 11,706,222	64,019	\$ 182.86	0.7%	0.5%
Avandia 8mg	51.3%	43.5%	4.9%	\$ 11,281,529	31,921	\$ 353.42	0.6%	0.2%
Zocor 10mg	22.3%	19.4%	2.3%	\$ 10,361,503	63,915	\$ 162.11	0.6%	0.5%
Zetia	13197.3%	13085.3%	7.5%	\$ 10,083,923	65,675	\$ 153.54	0.6%	0.5%
Copaxone	53.8%	38.1%	11.5%	\$ 10,080,648	3,326	\$ 3,030.86	0.6%	0.0%
Zolof 100mg	55.2%	45.9%	6.0%	\$ 9,882,670	49,975	\$ 197.75	0.5%	0.4%
Detrol LA	65.8%	54.5%	6.9%	\$ 9,662,088	49,281	\$ 196.06	0.5%	0.4%
Avandia 4mg	57.3%	51.4%	3.4%	\$ 9,599,529	40,826	\$ 235.13	0.5%	0.3%
Neurontin *	44.5%	52.7%	-4.5%	\$ 9,438,564	38,502	\$ 245.14	0.5%	0.3%
Flonase	46.3%	37.4%	6.0%	\$ 8,918,743	73,179	\$ 121.88	0.5%	0.5%
Advair diskus 500-50mcg	76.5%	65.7%	6.4%	\$ 8,357,398	18,544	\$ 450.68	0.5%	0.1%
Pravachol 20mg	42.7%	33.1%	6.8%	\$ 8,345,975	43,455	\$ 192.06	0.5%	0.3%
Clarinet	140.1%	122.8%	8.5%	\$ 7,835,382	54,711	\$ 143.21	0.4%	0.4%
Effexor XR	75.8%	62.7%	8.1%	\$ 7,739,780	28,520	\$ 271.38	0.4%	0.2%
Bextra 20mg	218.8%	202.5%	5.8%	\$ 7,409,326	36,692	\$ 201.93	0.4%	0.3%
Bextra 10mg	113.1%	100.5%	6.3%	\$ 7,312,383	35,538	\$ 205.76	0.4%	0.3%
Actonel	307.8%	298.2%	4.3%	\$ 7,233,607	52,202	\$ 138.57	0.4%	0.4%
Zocor 80mg	62.0%	56.3%	3.6%	\$ 7,049,894	24,208	\$ 291.22	0.4%	0.2%
Cozaar	51.7%	41.7%	5.9%	\$ 7,014,149	60,169	\$ 116.57	0.4%	0.4%
Ambien PAK	84.8%	65.7%	10.8%	\$ 6,681,309	41,670	\$ 160.34	0.4%	0.3%
Advair diskus 100-50mcg	68.6%	57.8%	6.7%	\$ 6,641,260	27,533	\$ 241.21	0.4%	0.2%
Polyonic *	92.2%	84.6%	3.8%	\$ 5,926,087	18,837	\$ 314.60	0.3%	0.1%
Humira	250.1%	190.5%	20.5%	\$ 4,904,889	1,494	\$ 3,283.06	0.3%	0.0%
Total of Top 50	60.0%	54.7%	2.7%	\$ 892,777,737	4,008,888	\$ 222.70	49.7%	29.4%
Grand Total	55.1%	47.4%	5.1%	\$ 1,797,052,315	13,615,230	\$ 131.99	100.0%	100.0%

Note: The top 50 drugs from 2004 were used as a basis for selecting the 2003 and 2002 drugs used in this table.
Drugs with asterisks are generic and drugs bolded were FDA approved within 2001-2004.

Top 50 Drugs by Utilization

The two-year average of utilization of prescription drugs per 1000 members in the retail segment was virtually flat while the mail order segment had an increase of 47.4 percent. Several factors impacted utilization trends during the 2002-2004 reporting period. Changing health benefits, advancements in technology, and increased public awareness collectively affected BCBSM's ability to meet the PA 350 cost goal.

Tables 4C and 4D show the top 50 drugs by utilization by retail and mail order segments. It is not a surprise that more multiple source drugs are listed by use than by payout since generic drugs are less expensive than brand name drugs. For example, Lopressor, a cardiovascular drug, was available as a generic with an average price per prescription of \$4.12, compared to Toprol XL (extended release) a cardiovascular drug available only as a single source drug with an average payment per script of \$21.50. Also, there were initiatives such as the MAC program that allowed the pharmacists to switch the prescription of a brand name drug to a generic drug, increasing the use of generics.

Generic drugs comprised 45.6 percent of the total drugs dispensed in this period compared to only 12 percent in the 1994-1996 reporting period. This increase was due to BCBSM's efforts to lower costs by promoting generic drugs as a safe alternative to high cost brand name drugs through a statewide public awareness campaign. This program is explained in more detail in the cost containment section. In addition, BCBSM offered a variety of lower copayment options to members to encourage use of generic drugs in lieu of brand name drugs. The average cost of a generic drug in 2004 was \$19.48, compared to brand name cost of \$108.82.

Lipitor, a cholesterol lowering drug, was the highest utilized drug for both retail and mail order segments. Cholesterol lowering agents are a highly dispensed drug although in many cases lowering cholesterol levels can be achieved by diet and exercise alone. Lipitor in the retail segment had average payment per script of \$84.01 compared to the mail order segment, which had a three-month supply for \$148.56 or \$49.52 per month. Mail order was a convenient method of obtaining maintenance drugs and offered a cost savings in premiums for the customer and lower copayments for the subscriber. Mail order increased 79 percent in scripts per 1000 members in 2004 from 2003, but represented less than half of the total prescriptions dispensed during this reporting period.

As shown in Table 3A, the five most utilized therapeutic classes in the retail segment were antihypertensive (at 6.8 percent), antidepressants (at 6.2 percent), cardiovascular (at 6.1 percent), narcotic pain relievers (at 5.1 percent) and blood fat reducers (at 5.1 percent) representing a total of 29.3 percent of prescription utilization. Mail order's top five therapeutic classes by use shown in Table 3B were antihypertensive (at 10.9 percent), blood fat reducers (at 10.3 percent), cardiovascular (at 10 percent), antiulcer (at 6 percent) and diabetic therapy (at 5.8 percent) representing a total of 43 percent of utilization. Mail order had an overall increase in use per 1000 member of 78.5 percent between 2003 and 2004. Mail order is a growing segment and all but one of the top 50 drugs, listed by use experienced a two-year average increase.

Table 4C
Pharmacy Provider Class
2002-2004 Top 50 Retail Drugs by Use

Brand Name	2-Year Avg % chg per 1000 Members			2004-2002 Scripts	2004-2002 Payments	Avg Pymt Per Script	% To Total Scripts	% To Total Payout
	Scripts	Payments	Price					
Lipitor 10mg	-5.6%	0.2%	6.2%	1,034,754	\$ 86,928,084	\$ 84.01	1.2%	1.9%
Amacodone *	5.2%	20.7%	14.2%	956,631	\$ 1,685,845	\$ 1.76	1.1%	0.0%
Prevacid	1.6%	6.5%	4.7%	848,099	\$ 108,670,243	\$ 128.13	1.0%	2.4%
Celebrex	-8.0%	-5.7%	2.5%	827,891	\$ 76,721,990	\$ 92.67	0.9%	1.7%
Zithromax	-0.7%	2.0%	2.8%	785,482	\$ 23,086,841	\$ 29.39	0.9%	0.5%
A-Cillin *	1.8%	6.0%	4.1%	773,801	\$ 998,856	\$ 1.29	0.9%	0.0%
Darvocet-N 100 *	-2.7%	-3.7%	-1.3%	764,885	\$ 5,947,808	\$ 7.78	0.9%	0.1%
Prilosec *	-19.0%	-29.2%	-12.7%	750,086	\$ 87,673,501	\$ 116.88	0.9%	1.9%
Hydrocodone *	10.7%	10.9%	0.1%	727,211	\$ 4,620,976	\$ 6.35	0.8%	0.1%
Fosamax *	3.7%	9.2%	5.5%	681,330	\$ 36,151,127	\$ 53.06	0.8%	0.8%
Vioxx	-16.5%	-13.1%	4.1%	669,203	\$ 47,840,229	\$ 71.49	0.8%	1.1%
Ventolin	1.6%	-8.9%	-10.2%	668,862	\$ 8,149,973	\$ 12.18	0.8%	0.2%
Zyrtec	0.6%	3.0%	2.5%	626,333	\$ 28,608,819	\$ 45.68	0.7%	0.6%
Nexium	27.9%	37.8%	7.8%	623,674	\$ 74,294,680	\$ 119.12	0.7%	1.6%
Lipitor 20mg	0.5%	5.9%	5.2%	606,662	\$ 78,819,979	\$ 129.92	0.7%	1.7%
Plavix	20.7%	28.7%	6.7%	601,653	\$ 59,573,101	\$ 99.02	0.7%	1.3%
Allegra	19.9%	26.3%	5.4%	525,600	\$ 29,385,293	\$ 55.91	0.6%	0.6%
Aceta w/Codeine*	-6.6%	-6.4%	0.0%	522,830	\$ 2,027,499	\$ 3.88	0.6%	0.0%
IB Pro *	0.3%	-3.0%	-3.5%	496,128	\$ 1,656,299	\$ 3.34	0.6%	0.0%
Atenolol 50mg *	-4.4%	48.5%	50.8%	493,909	\$ 3,851,529	\$ 7.80	0.6%	0.1%
Biocef *	3.5%	8.8%	4.4%	460,921	\$ 3,225,334	\$ 7.00	0.5%	0.1%
Norvasc 5 mg	-6.0%	-1.5%	4.8%	452,625	\$ 22,492,075	\$ 49.69	0.5%	0.5%
Detue *	-3.9%	34.9%	37.2%	451,972	\$ 1,005,447	\$ 2.22	0.5%	0.0%
Zoloft 50mg	0.6%	5.2%	4.7%	448,389	\$ 30,901,888	\$ 68.92	0.5%	0.7%
Dyazide *	-0.8%	-4.5%	-3.8%	444,987	\$ 4,261,036	\$ 9.58	0.5%	0.1%
Carozide *	13.6%	16.9%	3.9%	432,316	\$ 430,626	\$ 1.00	0.5%	0.0%
Sarafem	-6.1%	-26.7%	-21.4%	431,189	\$ 12,832,320	\$ 29.76	0.5%	0.3%
Zocor 20mg	-8.8%	-3.5%	5.7%	428,956	\$ 70,993,723	\$ 165.50	0.5%	1.6%
Singulair	16.2%	21.4%	4.5%	420,837	\$ 36,780,840	\$ 87.40	0.5%	0.8%
Protonix	21.0%	29.4%	6.5%	420,373	\$ 38,613,264	\$ 91.85	0.5%	0.8%
Toprol XL	4.5%	12.0%	7.1%	415,912	\$ 8,943,522	\$ 21.50	0.5%	0.2%
Lopressor *	-1.9%	-9.7%	-8.3%	400,812	\$ 1,650,868	\$ 4.12	0.5%	0.0%
Flonase	1.7%	7.3%	5.6%	397,316	\$ 19,106,200	\$ 48.09	0.5%	0.4%
Eltroxin 100mcg *	-3.1%	-3.0%	-0.4%	396,242	\$ 4,979,970	\$ 12.57	0.5%	0.1%
Alprazolam .25mg *	-0.7%	43.6%	42.1%	394,402	\$ 2,231,975	\$ 5.66	0.5%	0.0%
Glucophage *	5.8%	-18.6%	-22.4%	392,563	\$ 6,637,635	\$ 16.91	0.4%	0.1%
Ambien Pak	15.7%	27.2%	9.9%	390,893	\$ 23,551,386	\$ 60.25	0.4%	0.5%
Prinivil	2.5%	-39.0%	-39.2%	373,547	\$ 5,172,499	\$ 13.85	0.4%	0.1%
Atenolol 25mg *	-4.4%	71.7%	75.4%	366,283	\$ 3,119,013	\$ 8.52	0.4%	0.1%
Trinessa	-9.3%	1.9%	12.5%	360,973	\$ 9,247,021	\$ 25.62	0.4%	0.2%
Zoloft 100mg	3.8%	9.4%	5.4%	350,954	\$ 25,755,740	\$ 73.39	0.4%	0.6%
Norvasc 10mg	-0.8%	-0.3%	0.6%	348,156	\$ 24,389,732	\$ 70.05	0.4%	0.5%
Flomax	4.4%	8.6%	3.6%	344,888	\$ 17,168,384	\$ 49.78	0.4%	0.4%
Clarinet	21.9%	38.6%	12.8%	331,316	\$ 17,602,700	\$ 53.13	0.4%	0.4%
Eltroxin 50mcg *	1.9%	0.2%	-2.4%	322,691	\$ 3,139,293	\$ 9.73	0.4%	0.1%
Zestril 20mg *	2.3%	-17.3%	-18.2%	316,792	\$ 7,002,347	\$ 22.10	0.4%	0.2%
Alprazolam .5mg *	3.1%	61.0%	53.5%	312,960	\$ 4,000,873	\$ 12.78	0.4%	0.1%
Lexapro	503.2%	523.5%	2.6%	231,600	\$ 11,998,349	\$ 51.81	0.3%	0.3%
Zetia	2677.5%	2690.2%	5.0%	208,222	\$ 11,901,101	\$ 57.16	0.2%	0.3%
Actonel	219.6%	229.8%	4.7%	205,105	\$ 10,678,554	\$ 52.06	0.2%	0.2%
Total of Top 50	3.3%	6.3%	2.7%	25,239,216	\$ 1,206,506,385	\$ 47.80	28.9%	26.5%
Grand Total	-0.2%	6.8%	7.1%	87,309,239	\$ 4,553,877,499	\$ 52.16	100.0%	100.0%

Note: The top 50 drugs from 2004 were used as a basis for selecting the 2003 and 2002 drugs used in this table. Drugs with asterisks are generic and drugs bolded were FDA approved within 2001-2004.

Table 4D
Pharmacy Provider Class
2002-2004 Top 50 Mail Order Drugs by Use

Brand Name	2Year Avg % Chg per 1000 Members							
	Scripts	Payments	Price	2004-2002 Scripts	2004-2002 Pyaments	Avg Pymt Per Script	% To Total Scripts	% To Total Payout
Lipitor 10mg	45.5%	53.1%	4.5%	306,129	\$ 45,475,023	\$ 148.55	2.2%	2.5%
Prilosec *	5.5%	-24.1%	-29.3%	209,398	\$ 46,274,036	\$ 220.99	1.5%	2.6%
Celebrex	37.3%	41.5%	2.6%	201,989	\$ 49,951,467	\$ 247.30	1.5%	2.8%
Lipitor 20mg	58.7%	63.3%	2.9%	189,453	\$ 43,631,607	\$ 230.30	1.4%	2.4%
Fosamax	45.8%	53.0%	4.7%	179,891	\$ 25,644,617	\$ 142.56	1.3%	1.4%
Zocor 20mg	37.8%	41.9%	2.9%	167,374	\$ 49,643,597	\$ 296.60	1.2%	2.8%
Prevacid	66.1%	72.2%	3.6%	153,452	\$ 51,429,553	\$ 335.15	1.1%	2.9%
Plavix	94.1%	108.2%	6.9%	145,014	\$ 39,904,607	\$ 275.18	1.1%	2.2%
Nexium	111.2%	126.0%	6.9%	140,573	\$ 44,152,422	\$ 314.09	1.0%	2.5%
Norvasc	52.8%	62.7%	5.5%	138,100	\$ 14,001,634	\$ 101.39	1.0%	0.8%
Vioxx	12.9%	17.4%	4.0%	128,902	\$ 24,309,308	\$ 188.59	0.9%	1.4%
Lasix 40mg *	61.3%	43.0%	-13.8%	123,754	\$ 526,024	\$ 4.25	0.9%	0.0%
Tenormin 50mg *	46.2%	48.7%	1.8%	121,451	\$ 3,218,326	\$ 26.50	0.9%	0.2%
Toprol XL 50mg	68.0%	89.5%	11.1%	119,283	\$ 5,267,747	\$ 44.16	0.9%	0.3%
Hydrodiuril 25mg *	71.0%	44.6%	-21.8%	116,173	\$ 44,780	\$ 0.39	0.9%	0.0%
Synthroid 100mcg *	41.8%	22.3%	-11.5%	107,854	\$ 1,532,307	\$ 14.21	0.8%	0.1%
Zocor 40mg	62.5%	67.8%	3.1%	107,125	\$ 31,769,840	\$ 296.57	0.8%	1.8%
Zyrtec	40.4%	43.5%	1.8%	101,702	\$ 12,717,785	\$ 125.05	0.7%	0.7%
Premarin *	-7.9%	9.4%	17.7%	101,311	\$ 5,056,095	\$ 49.91	0.7%	0.3%
Norvasc	78.2%	82.4%	0.8%	95,849	\$ 13,282,465	\$ 138.58	0.7%	0.7%
Singulair	63.1%	71.3%	4.6%	92,057	\$ 17,551,867	\$ 190.66	0.7%	1.0%
Dyazide 37.5-25mg *	46.0%	34.8%	-10.4%	91,515	\$ 721,669	\$ 7.89	0.7%	0.0%
Lopressor *	63.7%	66.1%	-1.1%	88,920	\$ 1,859,292	\$ 20.91	0.7%	0.1%
Allegra	70.0%	77.2%	4.2%	88,874	\$ 13,111,603	\$ 147.53	0.7%	0.7%
Parathyroid	57.0%	43.1%	-10.4%	88,075	\$ 5,007,295	\$ 56.85	0.6%	0.3%
Evista	29.5%	40.2%	8.2%	87,604	\$ 14,003,820	\$ 159.85	0.6%	0.8%
Flomax	55.7%	61.8%	4.2%	87,029	\$ 11,713,074	\$ 134.59	0.6%	0.7%
Tenormin 25mg *	47.9%	52.4%	3.1%	84,785	\$ 2,124,465	\$ 25.06	0.6%	0.1%
Zestril 10mg *	52.2%	26.7%	-21.5%	82,907	\$ 2,971,366	\$ 35.84	0.6%	0.2%
Protonix	82.0%	94.1%	6.7%	82,787	\$ 20,266,210	\$ 244.80	0.6%	1.1%
Lipitor 40mg	67.3%	65.4%	-2.0%	81,349	\$ 19,340,383	\$ 237.75	0.6%	1.1%
Synthroid 50mcg *	54.1%	32.3%	-12.1%	80,697	\$ 927,285	\$ 11.49	0.6%	0.1%
Zestril 20mg *	58.3%	32.8%	-20.8%	80,045	\$ 3,445,483	\$ 43.04	0.6%	0.2%
K-Dur 20meq *	60.6%	48.7%	-7.8%	79,257	\$ 1,791,753	\$ 22.61	0.6%	0.1%
Flonase	37.4%	46.3%	6.0%	73,179	\$ 8,918,743	\$ 121.88	0.5%	0.5%
Toprol XL 100mg	73.2%	90.9%	8.9%	70,277	\$ 5,156,124	\$ 73.37	0.5%	0.3%
Lasix 20mg *	63.3%	48.8%	-13.2%	69,993	\$ 175,364	\$ 2.51	0.5%	0.0%
Tricor	72.9%	97.1%	13.9%	69,831	\$ 13,787,921	\$ 197.45	0.5%	0.8%
Ventolin	49.5%	47.0%	-3.3%	68,056	\$ 2,102,442	\$ 30.89	0.5%	0.1%
Zetia	13085.3%	13197.3%	7.5%	65,675	\$ 10,083,923	\$ 153.54	0.5%	0.6%
Zantac *	25.9%	19.7%	-4.9%	65,325	\$ 5,972,642	\$ 91.43	0.5%	0.3%
Synthroid 75mcg *	55.4%	36.3%	-9.9%	65,023	\$ 868,861	\$ 13.36	0.5%	0.0%
Zolof	40.8%	47.5%	4.5%	64,019	\$ 11,706,222	\$ 182.86	0.5%	0.7%
Coumadin 5mg *	49.3%	52.7%	0.4%	62,708	\$ 1,524,997	\$ 24.32	0.5%	0.1%
Cozaar	41.7%	51.7%	5.9%	60,169	\$ 7,014,149	\$ 116.57	0.4%	0.4%
Lanoxin 0.125mg *	46.4%	56.1%	-0.1%	59,890	\$ 184,401	\$ 3.08	0.4%	0.0%
Clarinox	122.8%	140.1%	8.5%	54,711	\$ 7,835,382	\$ 143.21	0.4%	0.4%
Imdur MS	57.1%	50.3%	-4.8%	53,243	\$ 2,000,978	\$ 37.58	0.4%	0.1%
Pravachol 40mg	66.1%	73.7%	3.8%	52,834	\$ 15,607,496	\$ 295.41	0.4%	0.9%
Actonel	298.2%	307.8%	4.3%	52,202	\$ 7,233,607	\$ 138.57	0.4%	0.4%
Total Top 50	52.6%	56.3%	1.8%	5,157,813	\$ 722,842,057	\$ 140.15	37.9%	40.2%
Grand Total	47.4%	55.1%	5.1%	13,615,230	\$ 1,797,052,315	\$ 131.99	100.0%	100.0%

Note: The top 50 drugs from 2004 were used as a basis for selecting the 2003 and 2002 drugs used in this table. Drugs with asterisks are generic and drugs bolded were FDA approved within 2001-2004.

Cost Containment Programs

BCBSM attempted to control costs in a variety of ways. The value returned to customers in reduced costs and cost avoidance came from many sources.

PHARMACY/MANUFACTURER-FOCUSED COST CONTROLS

BCBSM's pharmacy-focused cost control initiatives included negotiated discounts with pharmacies and maximum allowable cost ceilings.

The MAC program sets a ceiling on the amount paid for a given generic drug. MAC takes advantage of the fact that pharmacies are able to obtain some generics at deeply discounted prices due to market conditions. MAC pricing is applied to approximately 88 percent of all generics. The importance of managing this cost lever can be seen through the following example. Upon expiration of the Prozac patent, fluoxetine became available in August 2001. Initially priced at \$2 per unit, the price rapidly dropped to \$0.19 per unit as a function of market conditions. The MAC initiative took advantage of these dynamic market conditions.

BCBSM's efforts to reduce costs also included obtaining rebates from drug manufacturers. Rebates vary by drug, and are often based on the market share achieved by the drug in question within its therapeutic class.

BCBSM PRESCRIPTION DRUG BENEFIT OPTIONS

BCBSM offers cost sharing options, including riders with a variety of fixed dollar or percentage copayment amounts, which helped control drug costs. Tiered prescription drug benefit plans are also available that require lower copayments for generic drugs, higher copayments for brand name drugs with no generic alternatives, and even greater copayments for brand name drugs with generic equivalents. These programs dampen cost growth by providing a financial incentive for members to purchase generic or other lower cost drugs, and by shifting costs to members by raising the copayments on each tier.

BCBSM's mail order options allow eligible members to obtain up to a 90-day supply of prescription drugs by mail instead of the standard 34-day supply dispensed at a local pharmacy. Mail order generally offers lower ingredient costs and dispensing fees than retail pharmacies, thus being a more cost effective way to obtain maintenance drugs. The 2003 auto negotiations limited members to three retail refills of certain maintenance drugs and then required use of the mail order program.

In addition, groups could choose to exclude coverage for certain drugs, such as contraceptives that supported lifestyle choices.

GENERIC DRUG INCENTIVE

In 2001, BCBSM embarked on a major initiative to reduce prescription drug costs by increasing generic drug use among Blues members and other Michigan residents. Generic drugs, generally not advertised in the marketplace, must meet the same FDA standards for

safety and performance as brand name prescription drugs, yet they cost from 20 percent to 65 percent less. While generics offer the same medical benefits as brand name drugs, they cost less because they do not incur the same large research, development and marketing costs.²⁰ The cost of brand name drugs has increased more than four times faster than the cost of generic drugs. A significant percentage of common prescription medications have generic equivalents. While that number will grow, with many drug patents expiring each year, consumers' awareness and choice of therapeutically equivalent versions was minimal prior to 2001. The increase in generic usage gained momentum from the introduction of generic versions of three blockbuster drugs in 2001 and 2002: fluoxetine (generic equivalent to Prozac, an antidepressant), metformin (generic equivalent to Glucophage, a diabetes treatment), and lisinopril (generic for Prinivil and Zestril, two names for the same blood pressure drug).²¹

BCBSM's goal for the generic initiative was to increase the public's awareness of generic drugs. It included a competition among pharmacies to increase the percentage of prescriptions that are filled with generic drugs. Winners were featured in a media campaign with the slogan, "Generic Drugs - the Unadvertised Brand," in early 2002. BCBSM also developed a Web site that compared prices of the frequently prescribed brand-name drugs and their generic equivalents.

Since the inception of this initiative, the portion of prescriptions for BCBSM's Michigan enrollees that were being filled with generics increased from 37.7 percent to over 47.7 percent. Savings through 2004 were estimated at \$179 million. Of these savings, over \$23.5 million was realized directly by members through reduced copayments.

The increase in generic usage can be credited to several factors:

- ◆ More "blockbuster" drugs such as Paxil, Prilosec, Prozac and Glucophage have generic equivalents.
- ◆ BCBSM continues to work with Michigan physicians to increase generic drug prescribing whenever possible.
- ◆ BCBSM's generic drug consumer advertising and promotional campaign raised awareness of generic drugs' therapeutic effectiveness and their lower costs. In 2003, BCBSM began the Preferred Generic Coupon Pilot which offered a coupon that waived the first copayment when members switched to generic equivalents of certain brand-name drugs.
- ◆ Congress and the FDA recently made changes to remove unnecessary obstacles to generic drug development and marketing.

OTHER PROGRAMS AND INITIATIVES

In August 2000, BCBSM initiated the Physician Prescribing Pilot in which a BCBSM pharmacist provided unbiased information to a physician pertaining to his or her specific prescribing habits. Interventions resulting from this focused on generic utilization and substitution, and dose

²⁰ *Bluesweek*, August 10, 2001, page 1-2

²¹ *Generic Drug Sales Flourish Thanks to Big Companies*, The New York Times, November 2, 2002.

optimization. Dose optimization refers to the premise that one "double" dose daily in place of two regular doses would offer substantially lower product cost and higher patient medication compliance. BCBSM pharmacists also reviewed manufacturers' recommendations and price comparisons of comparable drugs with the physicians in the program. This program rewarded the physicians for reducing costs. Savings through 2004 were nearly \$1.3 million.

Effective January 1, 2003, BCBSM began a partnership with the Regence Group to jointly administer several pharmacy-benefit management functions to better control prescription drug costs. The partnership includes volume contracting with pharmaceutical manufacturers for rebates, rebate collection and clinical reviews of covered drugs called formularies.

Beginning August 1, 2004, reimbursement procedures for compounded medications were changed as part of BCBSM's efforts to ensure member safety while controlling costs. Compounded medications are made up of multiple ingredients that are mixed together at a pharmacy according to a doctor's specific instructions. Changes by the FDA made it possible for BCBSM participating pharmacies to electronically submit claims for compounded medications. Previously, members had to pay for their compounded medications up front and submit claims to BCBSM for reimbursement.

In November 2004, BCBSM contracted with a new pharmacy network vendor to handle claims processing and help design cost-saving programs in both the retail and mail order business segments. Advantages of the new arrangement include flexible benefit designs, greater network discounts, improved prescription dispensing, medication safety features such as checking for severe drug interactions, better tracking of group drug utilization and daily eligibility updates. The new arrangement also features more managed care options including prior authorization and step therapy where less expensive or generic medications must be explored prior to advancing to higher-cost drugs.

In the fourth quarter of 2004, BCBSM sent questionnaires to some members asking them to review and verify a list of selected prescription claims that were billed by their pharmacies. The results of the questionnaires helped BCBSM determine if further investigation is necessary for certain pharmacies. They also helped identify questionable practices such as product substitution schemes, brand/generic switching and "phantom" billings – all of which can increase our customers' costs.

Finally, BCBSM identified members with more than one health plan in order to coordinate drug benefits with other payers.

Membership

During this reporting period, membership declined 6.3 percent or approximately 308,000 members while average utilization per 1000 members increased 12.8 percent when combining retail and mail order segments. This is due to the loss of a significant major group, and the corporate downsizing on the part of some BCBSM customers. As shown in the Charts 5A and 5B, females represented a higher percentage in both payments, at 56 percent, and utilization, at 59 percent, compared to their male counterparts. Studies in the United States and other countries using physician surveys, patient surveys and household reports show that females are more likely to use prescription drugs than males, especially

in their reproductive years.²² BCBSM's data for females aged 20-44 showed more than double the utilization than males in the same age group, at 11 percent compared to 5 percent.

Children are the fastest-growing population segment consuming prescription drugs. According to the Medco Health Solutions 2002 Drug Trend Report, spending on prescription drugs for children under the age of 19 increased by 85 percent in five years, with spending in some categories of pediatric prescriptions soaring by as much as 1,000 percent. The three biggest drivers by therapeutic category are asthma, allergy and anti-infection drugs followed by neurological treatments and dermatologic drugs.²³ BCBSM's data show that membership representing children declined 5.3 percent from 1996 to 2004 while their utilization increased 68 percent per 1000 members and payment per 1000 members increased 131 percent.

When looking at retail data separate from mail order, there was not any significant difference in percentage by gender. However, in regards to payment by age groups, there were many more seniors aged 65+ that utilized mail order (54 percent) rather than retail (see Appendix C). Mail order for BCBSM seniors not only helps to reduce their out-of-pocket cost, it also is a convenient way of obtaining prescription drugs for those who travel to warmer climates during Michigan winters or those who may have difficulty getting to their local pharmacy.

²² Sex Differences in Prescription Medications Use and Cost in Large, National Commercial Sample: 1999, Catherine M. Roe, PhD

²³ Modern Healthcare Daily Dose, September 19, 2002

Chart 5A
2004 Total Payments by Gender

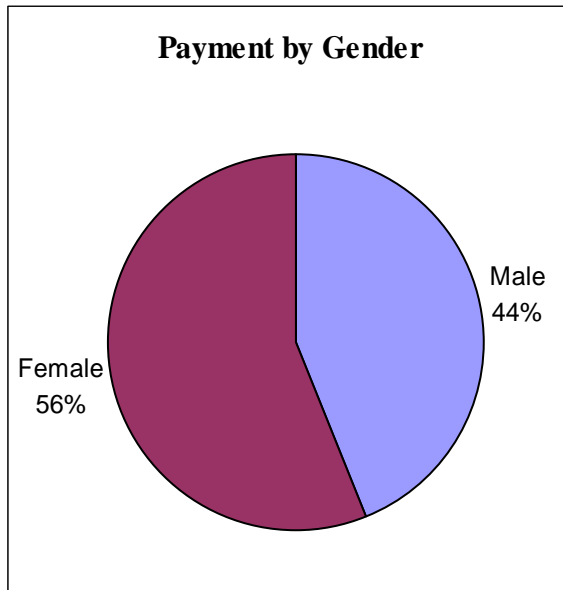


Chart 5B
2004 Total Utilization by Gender

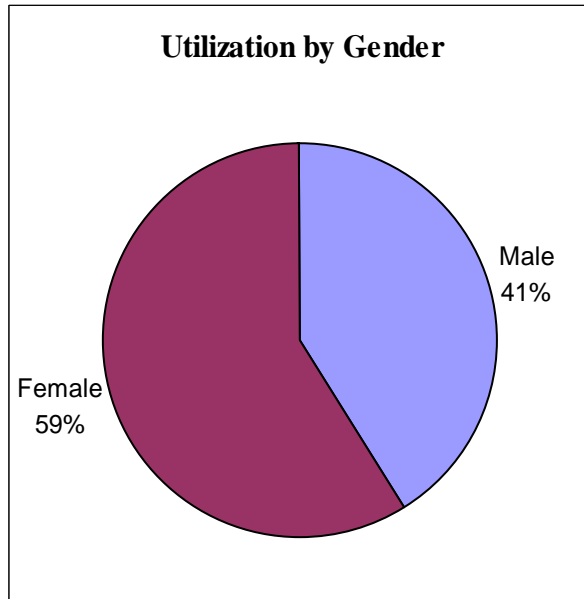


Chart 5C
2004 Total Payments by Age Group

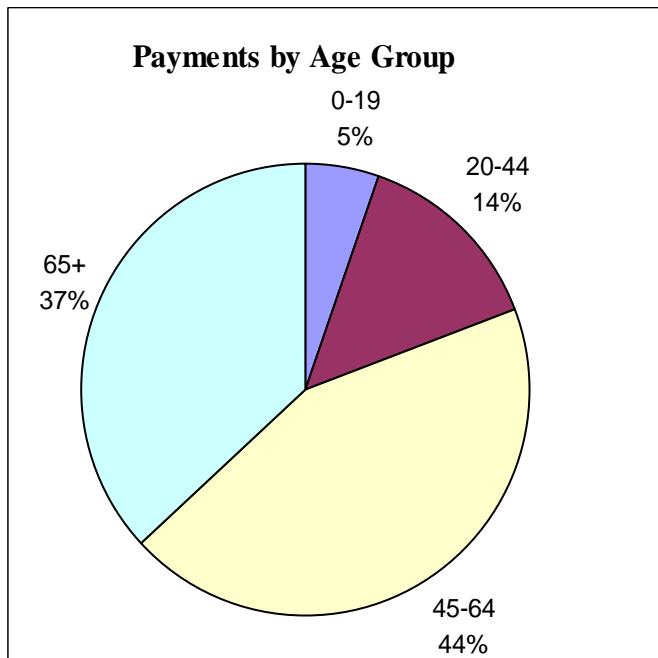
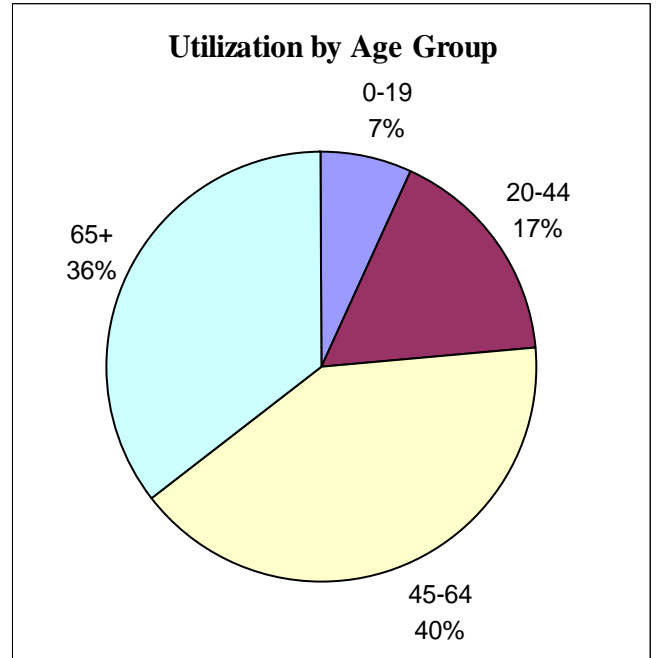


Chart 5D
2004 Total Utilization by Age Group



ACCESS GOAL PERFORMANCE

“There will be an appropriate number of providers throughout this state to assure the availability of certificate-covered health care services to each subscriber.”

PA 350 Access Objectives

Objective 1

To ensure adequate availability of high-quality pharmacy services, throughout the state, at a reasonable cost to BCBSM subscribers.

Performance - Access Goal and Objectives

BCBSM maintained a 100 percent participation rate with pharmacies in all regions of the state as shown in Table 6. This is attributable to BCBSM’s effective communications with pharmacies and to its reimbursement methodology.

Meetings with the Pharmacy Advisory Committee enabled providers to maintain an open dialogue with BCBSM. This committee is comprised of BCBSM’s directors of pharmacy administration and pharmacy network coordinator as well as representatives of the Michigan Pharmacists Association, all major chain pharmacies that operate in Michigan and six independent pharmacies. The PAC met quarterly in 2003 and 2004. Topics discussed included HIPAA, generic drugs, custom formulary issues, audit issues and policy, the Institute of Safe Medication Practices Safety Self Assessment survey, the Medicare Discount Card Program, MedImpact, Michigan Medication Safety Coalition, step therapy, 90-day retail network, group benefit changes and specific prescription drugs.

BCBSM publications conveyed current information to participating providers regarding BCBSM policies and procedures. These communications included monthly distribution of *The Record* and an up-to-date provider manual. The *Guide for Pharmacists*, which is now available online, explained provider claim submission procedures, guidelines for delivering appropriate care within the scope of member benefits, and the appeals process, which allowed providers an opportunity to resolve claim and audit disputes. More details on BCBSM’s communications with providers are included in the Quality of Care section of this report.

Nearly all prescription claims from retail pharmacies were submitted electronically. In 2004, BCBSM contracted with a new pharmacy network vendor to handle retail and mail order claims processing and help design cost-saving prescription drug programs. This arrangement provided BCBSM with greater network discounts, improved prescription dispensing, better tracking of group drug utilization and daily eligibility updates. Continuing improvements in how BCBSM does business with pharmacies will maintain high pharmacy participation.

BCBSM's reimbursement methodology was also important in maintaining participation levels. BCBSM reimbursed pharmacies for covered services as described in the Traditional and Preferred Rx Pharmacy Participation Agreements and the Pharmacy and Pharmacy Benefit Manager Master Agreement.

Participating Providers

Retail pharmacies that participate with BCBSM must meet BCBSM qualification standards and sign the Traditional Rx and/or the Preferred Rx Pharmacy Participation Agreements. Mail order pharmacies are contracted by the mail order program provider. Three out-of-state mail order pharmacies were utilized by the mail order provider during the reporting period. The Traditional Rx Pharmacy Agreements and the Pharmacy Benefit Manager Master Agreement are found in Appendix E of this report. The qualification standards for all pharmacies are outlined in the Quality of Care Performance Section of this report.

Formal participation rates are derived by comparing the number of formally participating providers to the number of total licensed providers registered with BCBSM. Formal participation of retail pharmacies by region is summarized in Table 8 for 2003 and 2004. The participation rates were 100 percent in all regions for both years. A regional map defining the PA 350 regions is located in Appendix D. The map on page 36 illustrates the 2004 distribution of participating pharmacies by county.

BCBSM's large market share affects the high rate of participation. Pharmacies would lose a large portion of their customer base if they chose not to participate with BCBSM.

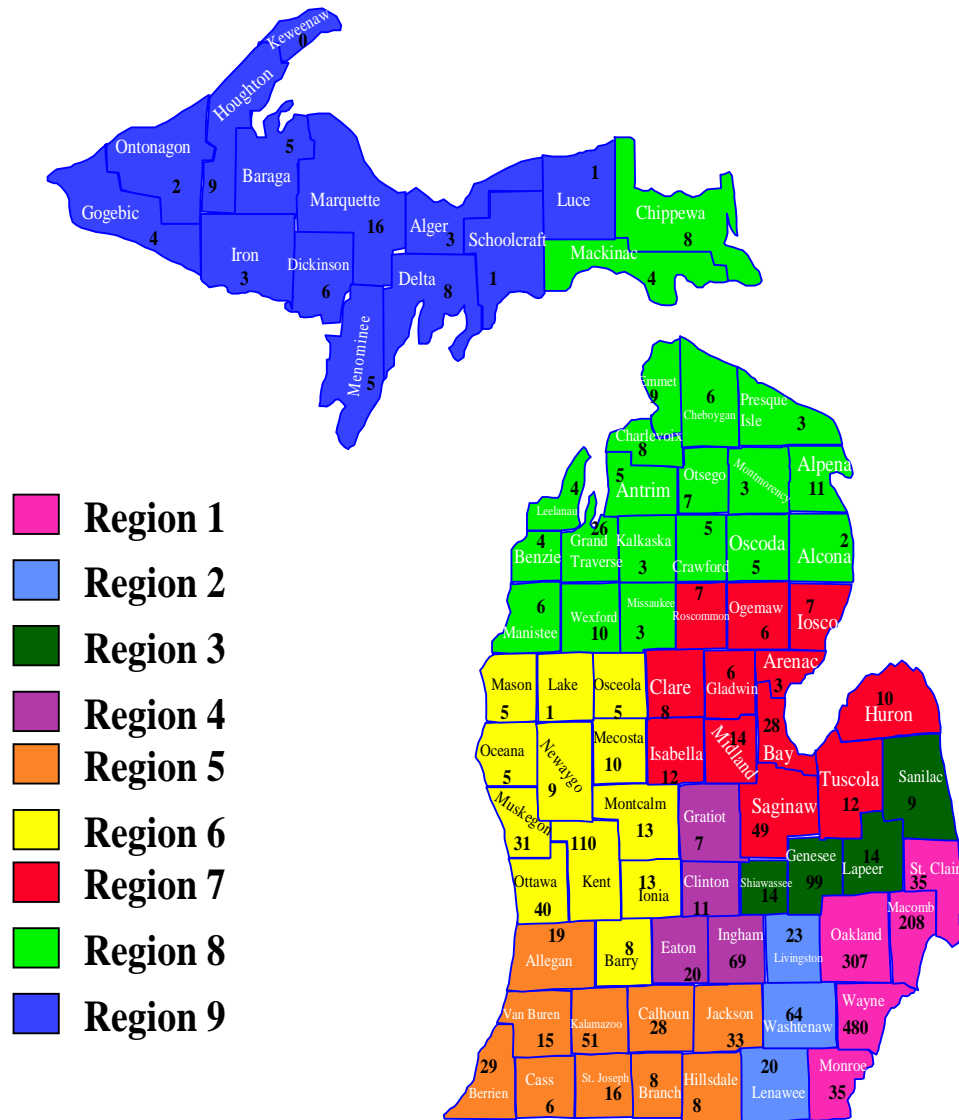
BCBSM does not contract with inpatient hospital pharmacies, nuclear pharmacies, prison pharmacies, veterinary hospital pharmacies or clinic pharmacies associated with other insurers. These pharmacies were omitted from our calculation. There are two state-licensed pharmacies in Toledo, Ohio that participate with BCBSM but are not included in the participation percentage calculations in this report because they are located out-of-state. These two pharmacies have participated with BCBSM for some time; however, current BCBSM policy does not allow any additional out-of-state pharmacies.

Members had access to participating provider listings through the BCBSM Customer Service Department.

Table 6
Pharmacy Provider Class – Retail Pharmacies
2003 - 2004 Access Performance

Region	2004			2003		
	Number of Participating Providers	Total Providers	Participation Rate	Number of Participating Providers	Total Providers	Participation Rate
1	1,065	1,065	100%	1,024	1,024	100%
2	107	107	100%	107	107	100%
3	136	136	100%	137	137	100%
4	107	107	100%	104	104	100%
5	213	213	100%	209	209	100%
6	250	250	100%	249	249	100%
7	162	162	100%	158	158	100%
8	132	132	100%	125	125	100%
9	63	63	100%	65	65	100%
Statewide	2,235	2,235	100%	2,178	2,178	100%

2004 Pharmacy Access by County



Other Access Issues

Mail Order Drug Program

The mail order drug program was offered to customers as an option, offering an additional source of access to members. BCBSM contracted with one vendor to manage this program. The mail order provider is required to comply with all applicable legal and regulatory requirements governing its mail order operations. This includes having and maintaining appropriate licensure, Drug Enforcement Agency registration, sufficient liability insurance, fiscal soundness, and the absence of inappropriate utilization practices, fraud and illegal activities.

Eligible members may use mail order drugs to obtain almost any drug covered under the members' drug plans. Mail service is most often used and most beneficial for obtaining drugs prescribed on a long-term basis for chronic conditions like high blood pressure, high cholesterol, heart disease, diabetes, or stomach disorders. Eligible members could obtain up to a 90-day supply of prescription drugs by mail instead of the standard 34-day supply dispensed at a local pharmacy. This option has grown in popularity since it was introduced in 1994. In 2003, mail order accounted for 24 percent of payments and 11 percent of utilization. In 2004, mail order represented 37 percent of total prescription drug payments and 19 percent of total prescription drug utilization.

High Cost Drugs

In the Traditional Rx Participation Agreement, BCBSM requires all participating retail pharmacies to use their best efforts to obtain or assist members in obtaining prescribed medications, including high cost or high tech drugs that are not routinely stocked. To assist in this, BCBSM offered an additional two percent reimbursement incentive to those pharmacies that supply high cost or high tech drugs. This increased access to drugs that were not readily available due to the cost of supplying them.

Access to this provider class has improved through an increased number of participating pharmacies, the increase in utilization of the mail order option and the incentives for pharmacies to make high cost drugs available.

BCBSM Reimbursement Methodology

BCBSM's goal is to make it easy for providers to work with BCBSM by providing them with the tools and information needed to render quality care using the best available technologies. This includes a payment policy that provides incentives for high-quality and cost-effective care.

For Traditional Rx, pharmacies were reimbursed the sum of the drug product cost plus the dispensing fee, minus the member copayment, plus any applicable incentives. For Preferred Rx, the reimbursement formula was the sum of the drug product cost and the dispensing fee which includes any applicable incentives minus the member copayment.

Members who received covered drugs from a nonparticipating pharmacy in the United States were directly reimbursed at 75 percent (100 percent for emergency pharmacy services) of the pharmacy's charge minus the member's copay. For covered drugs obtained from a nonparticipating pharmacy outside the United States, BCBSM reimbursed the subscriber for the drug product cost and dispensing fee, minus the member's copayment.

BCBSM reimbursed participating mail order pharmacies for covered brand name and generic drugs using the following formula: the lesser of the discounted average wholesale price or the submitted ingredient cost, plus a dispensing fee, minus any specific member copayment.

Reimbursement levels were reviewed as necessary during the reporting period. On January 1, 2003, BCBSM reduced the Preferred Rx pharmacy dispensing fee by \$0.50 per script. In tandem with this decrease, BCBSM offered pharmacies an enhanced generic incentive rate. In order to receive the enhanced incentive, pharmacies had to complete the Institute for Safe Medication Practices ambulatory/community survey.

Additional details of the traditional reimbursement methodology are contained in the Traditional Rx Participation Agreement and the Pharmacy Benefit Manager Master Agreement located in Appendix E. The reimbursement for Traditional Rx is also included in the provider class plan on file with the Office of Financial and Insurance Services.

QUALITY OF CARE GOAL PERFORMANCE

“Providers will meet and abide by reasonable standards of health care quality.”

PA 350 Quality of Care Objectives

Objective 1

To ensure the provision of quality care to BCBSM subscribers through the application of participation qualifications and performance standards as a basis for pharmacy participation.

Performance - Quality of Care Goal and Objectives

BCBSM’s approach to achieving the quality of care objective for the pharmacy provider class was to:

- ◆ Ensure the quality of care by enforcing qualification and professional standards for participation
- ◆ Maintain quality controls through documentation guidelines, drug utilization review initiatives and audits
- ◆ Implement quality management initiatives that promote safety, improve member compliance and ensure the delivery of high quality health care
- ◆ Develop strong relationships with participating providers by offering them various avenues to receive information and to voice concerns requiring benefit coverage and/or claims disputes.

All of these initiatives are detailed below

Qualification Standards

Pharmacists must be licensed by the state of Michigan with a Michigan location to participate with BCBSM. Other participation standards include absence of fraud and illegal activities, and absence of inappropriate utilization/medical necessity practices as identified through proven subscriber complaints, medical necessity audits and peer review.

Quality Controls

Documentation Guidelines

Pharmacy providers must maintain documentation for all claims based on BCBSM guidelines. The guidelines ensure that the appropriate medically necessary prescription drug information is included before a prescription is filled. Documentation must be legible, dated, signed with professional credentials noted and prepared as soon as possible after the service is performed.

Documentation guidelines for specific types of service are included in the *Guide for Pharmacists*. General requirements include:

- ◆ Dosage, quantity and refill instructions
- ◆ Dispense-as-written instructions
- ◆ Physician signature
- ◆ DEA number of physician writing prescription
- ◆ Date of prescription

Drug Utilization Review

To ensure the most appropriate drug therapy for treating individuals, BCBSM manages drug utilization through prospective, concurrent and retrospective drug utilization initiatives. These initiatives are designed to identify and avoid adverse drug interactions before, during and subsequent to the prescription being dispensed.

BCBSM provides intervention in prescribing medication before a prescription is ever dispensed through the management of a drug formulary. The BCBSM drug formulary is a list of FDA-approved prescription drugs that the BCBSM and BCN Pharmacy and Therapeutics Committee have determined to be high-quality and cost effective for patient care. The formulary is selected based on clinical effectiveness, safety and the opportunity to reduce cost. The formulary represents the clinical judgment of Michigan physicians, pharmacists and other experts in the diagnosis and treatment of disease and promotion of health.

During most of this review period, BCBSM utilized the Drug Risk Analysis Message System (DRAMS) for the dispensing of prescription drugs. Drug information was processed through this online real-time drug claim system which was designed to alert pharmacists to quality issues such as potential contraindications and drug-to-drug interactions. The DRAMS system detects potential problems before the drug is dispensed.

In 2003, the top five drug interaction edit categories identified through DRAMS were high dose alert, over-maximum dosage, drug pregnancy precaution, cumulative days supply limit and controlled substance within 14 days. These categories accounted for 72 percent of drug interaction edits.

In November 2004, BCBSM replaced DRAMS with MedImpact, a new drug claim processing system for claims processed in Michigan. The MedImpact system mirrors DRAMS in some regard, and, in addition, it offers more managed care options. The new drug processing system offers better utilization management tools and safety features such as severe drug interactions, monitoring minimum and maximum dosing, prior authorization and step therapy, a process that requires a physician to obtain approval from BCBSM before prescribing select prescription drugs with a potential for alternative use or misuse. The system also improves quality of care, prevents adverse drug reactions and ensures that selected drugs are used appropriately.

Patient claim information is also reviewed on a retrospective basis to ensure the member received the most appropriate drug therapy. BCBSM continuously monitors current medical literature findings, including legislative and FDA materials for drug safety issues. If a review

determines that prior drug therapy was inappropriate, an analysis of patient history is performed, and depending on the results of the review, BCBSM may contact the providers. During this review period, BCBSM conducted drug utilization review activity on the following topics:

- ◆ Appropriate medication use in the elderly
- ◆ Identification of inappropriate monitoring of prescription drugs (e.g., liver function testing before initiation of therapy)
- ◆ The promotion of over-the-counter Prilosec and Claritin
- ◆ Statin Use – Targeting non-formulary use

BCBSM also continued to make personal visits with physicians through the academic detailing initiative. Through this initiative, BCBSM's clinical pharmacists had face-to-face visits with physicians to promote appropriate and efficient prescribing patterns for generic drugs, to discuss dose optimization and to address formulary issues.

Audits

BCBSM evaluates medical necessity and the quality of care provided to BCBSM members through an external audit process. The audit process is not just designed to recover overpayments, it also allows BCBSM to validate that contractual agreements were met and high quality care was given to subscribers.

During audits, BCBSM's auditors reviewed records to ensure compliance with documentation guidelines. They also compared information in providers' medical and financial records with information reported on claims. Providers were typically selected for review based on referrals and risk indicators which include pharmacy income level, generic dispensing rate, DAW rate, average quantity per prescription, and average cost per prescription.

A total of 48 field audits were conducted in 2003 and 74 in 2004 to recover overpayments made in error. As shown in Table 7, the initial savings identified were \$1.7 million in 2003 and \$2.9 million for 2004. Amounts recovered totaled \$516,740 for 2003 and \$372,492 in 2004 with potential additional recoveries of \$17,668 in 2003 and \$1 million in 2004.

The top audit findings were for the following:

- ◆ Over-billed quantities
- ◆ No orders or unauthorized orders
- ◆ Expired orders
- ◆ Unauthorized refills
- ◆ Dispensed brand when a generic substitute should have been dispensed
- ◆ Non-refunded cancelled scripts (scripts were not picked up and payment was voluntarily returned)
- ◆ Partial refills

A summary of audit activity is included below in Table 7.

Table 7
Pharmacy Provider Class
Audit Performance 2003 - 2004

	2004	2003
Number of Audits	74	48
Initial Identified Savings	\$2,944,498	\$1,746,755
Finalized Recoveries	\$372,493	\$516,740
Pending Recoveries	\$1,098,245	\$17,668
Referred to Corporate Financial Investigation	2	4

Note – the 2003 figures above differ slightly from those previously reported due to inclusion of recoveries through December 31, 2004.

Quality Management Initiatives

BCBSM continues its commitment to “best in class” quality management through the implementation of several innovative programs geared toward better quality care through patient compliance and the effective and safe dispensing of medication. These quality initiatives impacted claims during this review period as follows:

DOSE Pilot Program

BCBSM completed the pilot phase of the Dosing Optimally, Simply, Effectively (DOSE) Program in January 2002. This program was developed to increase compliance and optimize therapeutic outcomes by assisting patients in converting from twice-daily dosing to once-daily dosing. Once a patient has reached the therapeutic goal on a specific medication, therapy is reviewed to identify the simplest regimen. Adjusting a multiple dose regimen can improve patient adherence to the regimen and reduce costs.

The pilot resulted in a 42 percent conversion rate and a follow-up survey with physicians identified that over 90 percent of the physicians felt patient compliance was enhanced through dose optimization without sacrificing quality of care. The pilot has shown that dose optimization is an intervention that maintains or improves quality of care while addressing prescription drug cost. The next phase of this project will involve the automation of dose optimization at the point of sale.

Generic Drug Incentive Program

BCBSM continues to heighten awareness of the quality, value and safety of generic drugs through education and generic incentive programs. During 2003, BCBSM mailed letters and preferred generic drug coupons to members identified as receiving targeted brand-name drugs. The members were offered an incentive to switch to a generic prescription drug. In 2003, BCBSM targeted 12,437 members, and of that number, 749 (or 6 percent) redeemed a coupon and converted to a generic drug. While there were no vouchers mailed in 2004, BCBSM is in the

preliminary stage of developing a new program that would waive the first fill copayment for members that convert from brand name to generic drugs.

BCBSM currently sends generic incentive letters to each pharmacy that participates in the Preferred Rx Network on a quarterly basis. The intent of the letters is to inform pharmacies of the upcoming quarterly generic incentive rate.

BCBSM also provides physicians with educational materials to share with their patients that describe the safety and effectiveness of generic drugs.

Physician Prescribing Pilot

The physician prescribing pilot was in effect during this reporting period. The program focused on generic substitution and dose optimization. The program addressed patient quality by allowing physicians to maintain utilization levels at or above baseline levels for nine therapeutic classes of medications where there is accepted use of evidence based medicine.

In addition, the program assigns each participating physician organization a dedicated member of the BCBSM physician education team. This team consists of clinical pharmacists trained as “counter-detailers” to bring physicians unbiased information pertaining to the physician’s specific prescribing habits. The program has been successful using a process of “gradual acceptance” that introduces the concept of intervention to the physician, garners their endorsement, and then provides the physician with information that allows them to effect change within their own practice.

Self-Assessment Survey Tool

According to the Journal of the American Pharmaceutical Association, the average pharmacist makes four errors in filling prescriptions daily. In response, BCBSM created an alliance with the state’s pharmacy regulatory agency and the Institute for Safe Medication Practices (ISMP) to promote the ISMP medication safety self-assessment survey tool. The tool is designed to assess the safety of medication practices in the pharmacy, identify opportunities for improvement, and compare a pharmacy’s experience with the aggregate experiences of demographically similar community pharmacies around the nation. The ultimate goal is to make them aware of best practices. The survey assesses staff competency, education, quality processes and risk management. Through the end of 2004, a total of 1,698 pharmacies completed the self-assessment survey; this represented 75.3 percent of our participating pharmacies.

BCBSM has also made changes to the Preferred Rx Network to increase emphasis on quality and member safety by requiring the completion of the ISMP safety self-assessment tool in order to participate in the new generic incentive program.

Michigan Medication Safety Coalition

The Michigan Medication Safety Coalition is a partnership created by the Michigan Pharmacist Association and BCBSM to reduce prescription drug errors through education. The coalition is currently involved in several initiatives that impact patient safety in the community such as

electronic prescribing, bar coding of prescriptions, and federal and state regulations. The coalition served as a catalyst to address causes of errors in community pharmacies and to share strategies to prevent future errors.

Michigan For Affordable Pharmaceuticals Coalition

BCBSM, along with other health care plans, employers, union groups and health care providers have joined in a coalition to address pertinent legislative issues that will help contain pharmaceutical costs, while ensuring access and overall improved health care. The goal is to increase awareness by legislators of issues impacting the affordability of prescription drugs with the intent of changing laws. Issues currently focused on by MAP include the timely availability of generic medications, direct-to-consumer advertising guidelines, drug safety and over-the-counter conversion of prescription drugs. State legislation was introduced in Congress that was intended to ensure that less costly medications are made available to consumers in a timelier manner. The bill is titled “Greater Access to Affordable Pharmaceuticals Act of 2003” (S.54).

Handheld Technology (Eprescribing) Pilot Program

In an effort to promote high-quality cost-effective prescribing, BCBSM partnered with ePocrates, a provider of internet-based technology, to provide its prescription drug formulary information on a personal digital assistant. The ePocrates Rx formulary tool is an internet-based hand-held drug reference guide that allows physicians and pharmacists ease of access to a combined formulary that includes BCBSM and other health plans formularies. In addition, the tool provides access to generic alternatives, drug-to-drug interactions, adverse effects, dosing and contraindications. The tool is designed to streamline the prescription writing process while reducing the incidence of medication errors. In June 2002, BCBSM and BCN launched ePocrates and as of the fourth quarter 2004, there were 8,805 users in Michigan of which 4,482 were physicians.

Provider Relations

During this review period, BCBSM maintained effective relations with pharmacy providers through provider communications, a formal appeals process and Pharmacy Advisory Committee meetings that provided a forum to discuss issues.

Provider Communications

BCBSM informed pharmacists of its policies and procedures through regular meetings with the Pharmacy Advisory Committee, provider publications, and the provider inquiry department.

The Pharmacy Advisory Committee is a collaborative council made up of representatives of the Michigan Pharmacists Association, BCBSM, BCN and providers from both independent and chain pharmacies. The committee met quarterly, offering pharmacists the opportunity to discuss issues with BCBSM on a regular basis. Topics discussed during this reporting period included the generic dispensing fee calculation, the generic coupon program, custom formulary changes, HIPPA compliance, BCBSM automated pharmacy audit systems, the ISMP survey, removal of

the critical drug list, BCBSM transition to MedImpact, UAW-negotiated contract changes, handheld technology, and step therapy and prior authorization.

In January 2003, BCBSM consolidated *The Record*, *Hospital and Facility News*, and *Service News* into one redesigned monthly newsletter called *The Record*. Provider focus groups participated in the redesign process. The consolidation was part of an ongoing effort to improve communications with providers and to make BCBSM information more accessible to them. Participating pharmacists receive *The Record*, which communicates important, current information pertinent to the timely and efficient servicing of BCBSM members, such as policy changes, group-specific benefit changes, patient education and other provider-specific issues. Additionally, BCBSM's formally participating pharmacists received a comprehensive manual called *Guide for Pharmacists*. The manual provides detailed instructions for servicing BCBSM members. It is updated as necessary and is designed to clarify BCBSM policies, eligibility criteria and benefit guidelines. Topics detailed in the manual include:

- ◆ Member eligibility requirements
- ◆ Benefits and exclusions
- ◆ Criteria and guidelines for services
- ◆ Documentation guidelines
- ◆ Claim submission information
- ◆ Appeals process
- ◆ Utilization Management
- ◆ BCBSM departments to contact for clarification of issues

BCBSM offered pharmacists the option of speaking with provider service representatives through the DRAMS help desk. In addition, BCBSM partnered with the Michigan Pharmacists Association and held an audit seminar at the MPA's convention. Pharmacists were also included in other seminars offered by BCBSM.

The BCBSM Web site has a section for providers with information on benefits and eligibility, contact numbers, and continuing medical education. The site also contains hyperlinks to the Michigan Health and Safety Coalition, the Institute for Safe Medication Practices and the Council for Affordable Quality Healthcare.

There were also other avenues for providers to obtain information. CAREN⁺, an integrated voice response system, provides information on eligibility, benefits, deductibles and copayments. Web-DENIS, a computerized provider inquiry program, provides patient's contract eligibility coverage, benefits, coordination of benefits, claims tracking and facility claim correction. Web-DENIS, unlike CAREN⁺, provides claims status information and offers historical eligibility.

Provider Appeals Process

In accordance with PA 350, sections 402(1), 403 and 404, BCBSM makes a formal appeals process available to pharmacists. A description of the process can be found in Addendum A of the BCBSM Traditional Rx Pharmacy Participation Agreement for chain and independent pharmacies. The appeals process serves to resolve claim or audit disagreements. Pharmacists

are informed of the appeals process through *The Record*, the provider manual, and the Traditional Rx Pharmacy Participation Agreement.

In 2003, 42 requests for determinations were received. A total of 25 were settled prior to OFIS determination and 17 were pending at year end. During 2004 there was one 2002 case settled with OFIS

In 2004, 58 requests for determinations were received. A total of 30 were settled prior to an OFIS determination through the reconsideration or managerial level conference process. A total of 28 were pending at year end

Approximately 90 percent of all pharmacy appeals are settled through reconsideration or managerial level conferences.

CONCLUSION

Cost Goal

The cost goal for the pharmacy provider class was not met for this reporting period as prescription drug utilization increased a combined average of 13 percent representing a slight average decrease in the retail segment of 0.2 percent and an average increase in mail order segment of 47.4 percent. The retail segment had an average increase in price of 7.1 percent and the mail order segment had an average price increase of 5.1 percent. The high increase in price in retail is significant because the average price per script is \$55.96, compared to mail order at \$45.79 average per month. As stated above, BCBSM promoted generic prescription drugs and offered many benefit options for the mail order program to help control the increases in cost. However, many other factors, such as advanced technology and members' health habits contributed to the cost increases.

Access Goal

BCBSM met the access goal for the pharmacy provider class. BCBSM offered licensed providers the opportunity to participate by signing a formal participation agreement. One hundred percent participation was achieved in both years of the reporting period. On a regional level, there are a sufficient number of pharmacies located in each region. This level of access minimized member out-of-pocket expenses. Effective provider communications, BCBSM's reimbursement methodology, electronic claim submissions, the mail order program and incentives to pharmacies for stocking high cost drugs also combined to meet the access goal.

Quality of Care Goal

BCBSM achieved the quality of care goal. Providers were required to meet qualification standards to ensure that they were capable of rendering high quality care to BCBSM members. Quality controls, which included documentation guidelines and audits, ensured that services rendered were medically necessary, appropriate for the patient's condition and in accordance with the contractual agreement. Utilization initiatives promoted the safe dispensing of medications and the potential reduction of prescription drug error. Also, BCBSM provided pharmacists with a formal appeals process and communicated up-to-date information through BCBSM's publications, inquiry systems and provider consultants. BCBSM kept pharmacists well informed by providing them with the resources necessary to service BCBSM members in a high quality manner.

APPENDIX A

Overview of Public Act 350

This section briefly describes the provider class plan annual reporting requirements mandated under Public Act 350.

Annual reporting requirements

The provider class plan annual reports are submitted pursuant to section 517 of PA 350, which requires BCBSM to submit to the Commissioner an annual report for each provider class that shows the level of BCBSM's achievement of the goals provided in section 504.

Pa 350 Goals

The term "goals", used in section 517 above, refers to specific cost, access and quality goals described in section 504. This section states:

"A health care corporation shall, with respect to providers, contract with or enter into a reimbursement arrangement to assure subscribers reasonable access to, and reasonable cost and quality of health care services in accordance with the following goals:

Cost Goal

"Providers will be subject to reimbursement arrangements that will assure a rate of change in the total corporation payment per member to each provider class that is not higher than the compound rate of inflation and real economic growth." This is expressed by the following formula:

$$\frac{((100 + I) \times (100 + REG))}{(100)} - 100$$

Access Goal

"There will be an appropriate number of providers throughout this state to assure the availability of certificate-covered health care services to each subscriber."

Quality Of Health Care Goal

"Providers will meet and abide by reasonable standards of health care quality."

Calculation of 2003 – 2004 Cost Goal

Using the population and economic assumptions in the table below, the cost goal for the period is estimated to be **3.547%**.

Inflation = **1.972%**

Real Economic Growth = **1.575%**

$$\frac{((100 + 1.972\%) \times (100 + 1.575\%))}{(100)} - 100 = 3.547\%$$

PA 350 COST GOAL ASSUMPTIONS

		Real	Per	Implicit	Percent	Change in :
	Population (1)	GDP(2)	Capita	Price	Per Capita	
Year		(\$millions)	GDP	Deflator(2)	GDP	IPD
2000	282,125,000	\$9,817.0	\$34,796.63	100.00		
2001	284,797,000	\$9,890.7	\$34,728.95	102.40	-0.195%	2.399%
2002	287,449,000	\$10,074.8	\$35,049.00	104.09	0.922%	1.653%
2003	290,116,000	\$10,381.3	\$35,783.27	106.00	2.095%	1.831%
2004	292,801,000	\$10,841.9	\$37,028.22	108.24	3.479%	2.112%

Sources

(1) Population projections based on 2000 census released May 11, 2004; [www.census.gov/ipc/www/usinterimproj/usproj](http://www.census.gov/ipc/www/usinterimproj/usproj_detail_file_RTT_(Total_Resident_Population)) detail file RTT (Total Resident Population)

(2) c/y 2000-2004 source – March 2005 Economic Indicators - Department of Commerce, Bureau of Economic Analysis

Definitions

Section 504 of the Act also provides the following definitions for terms used in the cost goal calculation:

“**Gross Domestic Product (GDP) in constant dollars**’ means that term as defined and annually published by the United States Department of Commerce, Bureau of Economic Analysis.”

“**Implicit price deflator for gross national product**’ means that term as defined and annually published by the United States Department of Commerce, Bureau of Economic Analysis.”

“**Inflation**’ (I) means the arithmetic average of the percentage changes in the implicit price deflator for gross national product over the 2 calendar years immediately preceding the year in which the commissioner’s determination is being made.”

“**Compound rate of inflation and real economic growth**’ means the ratio of the quantity 100 plus inflation multiplied by the quantity 100 plus real economic growth to 100; minus 100.”

“Rate of change in the total corporation payment per member to each provider class’ means the arithmetic average of the percentage changes in the corporation payment per member for that provider class over the 2 years immediately preceding the Commissioner's determination.”

“Real economic growth’ (REG) means the arithmetic average of the percentage changes in the per capita gross national product in constant dollars over the 4 calendar years immediately preceding the year in which the commissioner's determination is being made.”

Determination Process

Under PA 350, the commissioner is required to consider information presented in the annual report, as well as all other relevant factors that might affect the performance of a particular provider class, in making a determination with respect to that class.

Section 509 of the Act outlines factors that should be considered by the commissioner to “determine if the health care corporation has substantially achieved the goals of a corporation as provided in section 504 and achieved the objectives contained in the provider class plan.” Many of these factors are beyond BCBSM's direct control and may adversely impact the cost and use of health care services for a particular provider class. Specifically, section 509(4) states:

The commissioner shall consider all of the following in making a determination...:

(a) Annual reports transmitted pursuant to section 517.

(b) The overall balance of the goals provided in section 504, achieved by the health care corporation under the plan. The commissioner shall give weight to each of the goals provided in section 504, shall not focus on one goal independently of the other goals of the corporation, and shall assure that no portion of the corporation's fair share of reasonable costs to the provider are borne by other health care purchasers.

(c) Information submitted or obtained for the record concerning:

- ◆ *Demographic trends;*
- ◆ *Epidemiological trends;*
- ◆ *Long-term economic trends, including changes in prices of goods and services purchased by a provider class not already reflected in the calculation in section 504(2)(d);*
- ◆ *Sudden changes in circumstances;*
- ◆ *Administrative agency or judicial actions;*
- ◆ *Changes in health care practices and technology; and,*
- ◆ *Changes in benefits that affect the ability of the health care corporation to reasonably achieve the goals provided in section 504.*

(d) Health care legislation of this state or of the federal government. As used in this subdivision, 'health care legislation' does not include Act No. 218 of the Public Acts of 1956, as amended, being sections 500.100 to 500.8302 of the Michigan Compiled Laws.

(e) Comments received from an individual provider of the appropriate provider group, or from an organization or association that represents the appropriate provider class, and comments received pursuant to section 505(2).

After considering the information and factors described in section 509(4), the goals of a health care corporation as provided in sections 504, and the objectives contained in the provider class plan, the commissioner shall determine one of the following [as stated under section 510(1)]:

(a) That the provider class plan achieves the goals of the corporation as provided in section 504.

(b) That although the provider class plan does not substantially achieve one or more of the goals of the corporation, a change in the provider class plan is not required because there has been competent, material, and substantial information obtained or submitted to support a determination that the failure to achieve one or more of the goals was reasonable due to factors listed in section 509(4).

(c) That a provider class plan does not substantially achieve one or more of the goals of the corporation as provided in section 504.

A determination made by the commissioner under section 510 1(a) or 1(b) would require no further action by the corporation. Upon a 511(1)(c) determination by the commissioner, under section 511, the corporation:

(1) Within 6 months or a period determined by the commissioner..., shall transmit to the commissioner a provider class plan that substantially achieves the goals, achieves the objectives, and substantially overcomes the deficiencies enumerated in the findings made by the commissioner pursuant to section 510(2). In developing a provider class plan under this subsection, the corporation shall obtain advice and consultation from providers in the provider class and subscribers, using procedures established pursuant to section 505.

(2) If after 6 months or a period determined by the commissioner..., the health care corporation has failed to act pursuant to subsection (1), the commissioner shall prepare a provider class plan..., for that provider class.

The findings of the commissioner may be disputed by any party through an appeals process available under section 515 of PA 350.

APPENDIX B

Technical Notes

The data indices presented in the 2002, 2003, and 2004 databases and analyzed in the annual reports reflect a defined subset of BCBSM claims experience. The data specifications and collection methodologies are discussed in the following sections.

All references to specific prescription drugs in this report do not include the registered trademark symbol. BCBSM recognizes that all brand name prescription drugs are registered trademarks.

Data Elements and Collection

The basic statistics analyzed for each provider class are total payments and utilization, from which an average price per utilization unit is derived. These data were collected from BCBSM data files that are based on claims submitted to the Corporation and approved for payment to the provider or in some cases, the subscriber.

The data collection period captures health care services incurred during specific twelve-month calendar years and paid through fourteen months. For example, the 2004 dataset includes all services incurred between 1/1/04 and 12/31/04, and paid from 1/1/04 through 2/28/05. It is reasonable to expect that for the pharmacy provider class, more than 99 percent of total experience is captured. Both retail and mail order claims have been included.

Participation rates are based on providers who sign a BCBSM participation agreement and the total number of licensed providers registered with BCBSM.

Scope of the Data

PROVIDER CLASS ACCOUNTABILITY

PA 350 requires BCBSM to report its Traditional line of business for the purposes of provider class accountability. However, for the ancillary provider classes, including pharmacy, managed care experience is included. BCBSM membership systems capture members' product line information only once, reflecting the member's hospital/medical-surgical coverage (e.g., a member with managed care pharmacy coverage but traditional hospital/medical-surgical coverage is considered a traditional member).

Underwritten groups and administrative services contracts are included. For ancillary provider classes, complementary claims and membership data is included. The data excludes the Federal Employee Program and non-Michigan liability such as claims paid through the Inter-Plan Teleprocessing System for out-of-state Blue members. Claims incurred out-of-state by BCBSM members are also excluded.

Blue Care Network data are excluded from the reporting requirements referred to in PA 350 Section 502(a) (11) and the HMO Act.

REGIONAL EXPERIENCE

Regions selected for analysis are compatible with Michigan Metropolitan Statistical Areas (MSAs) and provide an acceptable basis for analysis of access as well as of provider practice patterns.

The data cover total Traditional and PPO business, divided into nine regions. Regions one through nine represent groups of Michigan counties. Michigan claims experience with unidentified zip codes was allocated among the nine regions according to the distribution of data with identifiable zip codes.

MEMBERSHIP

This report includes all BCBSM Traditional, PPO and POS members residing in Michigan.

The regions used for analysis pertain to the location where services were delivered. For example, region one experience represents payments to region one providers for services rendered to BCBSM members regardless of residency. This is because subscribers who live in one region may receive services in another region because they reside near a border or want services from a provider in another region.

APPENDIX C

Supporting Tables and Charts

No.	Description
C1	2002 Retail Cost, Use and Price Experience by Top 50 Therapeutic Class based on 2004
C2	2003 Retail Cost, Use and Price Experience by Top 50 Therapeutic Class based on 2004
C3	2004 Retail Cost, Use and Price Experience by Top 50 Therapeutic Class
C4	2002 Mail Order Cost, Use and Price Experience by Top 50 Therapeutic Class based on 2004
C5	2003 Mail Order Cost, Use and Price Experience by Top 50 Therapeutic Class based on 2004
C6	2004 Mail Order Cost, Use and Price Experience by Top 50 Therapeutic Class
C7	2002 Retail Cost, Use and Price Experience by Top 50 Drugs by Payout based on 2004
C8	2003 Retail Cost, Use and Price Experience by Top 50 Drugs by Payout based on 2004
C9	2004 Retail Cost, Use and Price Experience by Top 50 Drugs by Payout
C10	2002 Mail Order Cost, Use and Price Experience by Top 50 Drugs by Payout based on 2004
C11	2003 Mail Order Cost, Use and Price Experience by Top 50 Drugs by Payout based on 2004
C12	2004 Mail Order Cost, Use and Price Experience by Top 50 Drugs by Payout
C13	2002 Retail Cost, Use and Price Experience by Top 50 Drugs by Use based on 2004
C14	2003 Retail Cost, Use and Price Experience by Top 50 Drugs by Use based on 2004
C15	2004 Retail Cost, Use and Price Experience by Top 50 Drugs by Use
C16	2002 Mail Order Cost, Use and Price Experience by Top 50 Drugs by Use based on 2004
C17	2003 Mail Order Cost, Use and Price Experience by Top 50 Drugs by Use based on 2003
C18	2004 Mail Order Cost, Use and Price Experience by Top 50 Drugs by Use
C19	2004 Mail Order Utilization by Age Groups
C20	2004 Mail Order Payout by Age Groups
C21	2004 Retail Utilization by Age Groups
C22	2004 Retail Payout by Age Groups
C23	2002-2004 Retail Summary of Regional Performance
C24	2002-2004 Retail Detailed Regional Data
C25	2002-2004 Retail Administrative Service Contracts, by Region

Appendix C1
Pharmacy Provider Class – Retail
2002 Cost, Use and Price Experience by Top 50 Therapeutic Classes based on 2004

Therapeutic Class Name	Per 1000 Members By		Payment Per Script	Total	
	Payments	Scripts		Payments	Scripts
Blood fat reducers	\$ 57,528.68	565.49	\$ 101.73	\$ 145,853,029	1,433,692
Antiulcer	\$ 54,471.70	551.14	\$ 98.84	\$ 138,102,645	1,397,305
Antidepressants	\$ 40,028.57	707.11	\$ 56.61	\$ 101,484,838	1,792,731
Unclassified drug products	\$ 37,882.16	500.31	\$ 75.72	\$ 96,043,011	1,268,448
Antiarthritis	\$ 35,439.76	608.28	\$ 58.26	\$ 89,850,766	1,542,176
Antihypertensives	\$ 27,537.03	817.61	\$ 33.68	\$ 69,814,911	2,072,898
Cardiovascular	\$ 26,089.34	752.90	\$ 34.65	\$ 66,144,571	1,908,830
Antihistamines	\$ 25,717.10	513.86	\$ 50.05	\$ 65,200,818	1,302,807
Diabetic therapy	\$ 24,672.05	475.01	\$ 51.94	\$ 62,551,303	1,204,285
Bronchial dilators (Asthma)	\$ 19,464.08	354.41	\$ 54.92	\$ 49,347,479	898,528
Pain relievers, narcotic	\$ 16,007.76	595.53	\$ 26.88	\$ 40,584,646	1,509,859
Anticonvulsants	\$ 13,367.13	188.23	\$ 71.01	\$ 33,889,825	477,221
Pain relievers, non-narcotic	\$ 12,497.24	101.83	\$ 122.73	\$ 31,684,382	258,158
Antianxiety	\$ 12,226.01	293.32	\$ 41.68	\$ 30,996,714	743,657
Anticoagulants	\$ 11,386.81	176.44	\$ 64.54	\$ 28,869,096	447,319
Hematinics	\$ 11,339.93	35.30	\$ 321.27	\$ 28,750,230	89,488
Antivirus	\$ 10,164.40	68.87	\$ 147.59	\$ 25,769,910	174,608
Anticancer	\$ 10,025.14	60.54	\$ 165.60	\$ 25,416,844	153,480
Hormones, estrogens	\$ 9,881.79	301.43	\$ 32.78	\$ 25,053,413	764,215
Other hormones	\$ 9,880.27	37.66	\$ 262.34	\$ 25,049,554	95,485
Fungicides	\$ 8,420.19	168.64	\$ 49.93	\$ 21,347,785	427,563
Dermatologicals	\$ 8,127.00	109.94	\$ 73.92	\$ 20,604,461	278,728
Nose and ear	\$ 7,913.15	191.77	\$ 41.26	\$ 20,062,291	486,198
Glucocorticoids	\$ 7,830.71	313.28	\$ 25.00	\$ 19,853,278	794,253
Antibiotics, erythromycins	\$ 6,970.37	220.62	\$ 31.59	\$ 17,672,047	559,351
Anti-biotics, other	\$ 6,639.70	125.34	\$ 52.97	\$ 16,833,700	317,768
Eye preparation	\$ 6,406.03	197.85	\$ 32.38	\$ 16,241,261	501,605
Antibiotics, pneicillins	\$ 5,939.30	323.18	\$ 18.38	\$ 15,057,960	819,361
Contraceptives, oral	\$ 4,846.10	220.97	\$ 21.93	\$ 12,286,372	560,216
Antibacterials, urinary	\$ 4,775.89	83.86	\$ 56.95	\$ 12,108,362	212,618
Antibiotics, cephalosporins	\$ 4,262.06	136.81	\$ 31.15	\$ 10,805,632	346,860
Antinauseants	\$ 3,999.38	66.17	\$ 60.44	\$ 10,139,675	167,774
Sedative, non-barbiturate	\$ 3,995.50	98.58	\$ 40.53	\$ 10,129,842	249,928
Stimulants	\$ 3,944.33	77.45	\$ 50.92	\$ 10,000,111	196,371
Parasympathetic agents	\$ 3,667.86	33.61	\$ 109.14	\$ 9,299,154	85,204
Thyroid preparations	\$ 3,367.86	269.23	\$ 12.51	\$ 8,538,568	682,569
Antiobesity	\$ 2,564.64	39.85	\$ 64.35	\$ 6,502,159	101,042
Muscle relaxants	\$ 2,492.02	107.24	\$ 23.24	\$ 6,318,044	271,880
Diuretics (water pills)	\$ 2,430.38	359.23	\$ 6.77	\$ 6,161,779	910,747
Electrolytes and misc nutrients	\$ 2,174.19	120.35	\$ 18.07	\$ 5,512,240	305,128
Antiparkinson	\$ 2,172.76	33.74	\$ 64.40	\$ 5,508,631	85,533
Antibiotics, tetracyclines	\$ 1,927.80	79.17	\$ 24.35	\$ 4,887,558	200,727
Amphetamine (weight loss)	\$ 1,857.66	30.02	\$ 61.88	\$ 4,709,756	76,113
Vasodilators, coronary	\$ 1,610.44	135.09	\$ 11.92	\$ 4,082,953	342,507
Hormones, androgens	\$ 1,428.31	10.66	\$ 134.05	\$ 3,621,201	27,014
Medical supplies	\$ 1,291.53	53.78	\$ 24.01	\$ 3,274,424	136,358
Cough and cold	\$ 1,219.11	79.75	\$ 15.29	\$ 3,090,827	202,188
Anesthetics, local/topical	\$ 714.09	26.19	\$ 27.27	\$ 1,810,430	66,400
Biologicals	\$ 691.98	0.43	\$ 1,594.89	\$ 1,754,383	1,100
Antispasmodic-anticholinergics	\$ 416.64	37.00	\$ 11.26	\$ 1,056,316	93,815
Total Top 50 Therapeutic Classes 2002	\$ 579,703.94	11,455.05	\$ 50.61	\$ 1,469,729,185	29,042,109
Grand Total	\$ 589,886.48	12,088.12	\$ 48.80	\$ 1,495,545,095	30,647,126

Appendix C2
Pharmacy Provider Class – Retail
2003 Cost, Use and Price Experience by Top 50 Therapeutic Classes based on 2004

Therapeutic Class Name	Per 1000 Members By		Payment Per Script	Total	
	Payments	Scripts		Payments	Scripts
Blood fat reducers	\$ 67,729.78	645.06	\$ 105.00	\$ 160,754,739	1,531,026
Antiulcer	\$ 59,448.67	592.29	\$ 100.37	\$ 141,099,758	1,405,779
Antidepressants	\$ 45,947.57	775.08	\$ 59.28	\$ 109,055,271	1,839,633
Unclassified drug products	\$ 44,552.73	557.43	\$ 79.93	\$ 105,744,655	1,323,041
Antiarthritis preps	\$ 40,945.17	618.03	\$ 66.25	\$ 97,182,219	1,466,888
Diabetic therapy	\$ 27,501.16	500.42	\$ 54.96	\$ 65,273,239	1,187,722
Antihypertensives	\$ 27,892.70	877.60	\$ 31.78	\$ 66,202,552	2,082,965
Bronchial dilators (Asthma)	\$ 23,718.96	385.84	\$ 61.47	\$ 56,296,295	915,781
Cardiovascular	\$ 28,368.47	780.96	\$ 36.33	\$ 67,331,775	1,853,588
Pain relievers, narcotic	\$ 19,371.39	636.40	\$ 30.44	\$ 45,977,463	1,510,467
Anticonvulsants	\$ 16,899.52	209.80	\$ 80.55	\$ 40,110,544	497,953
Anti histamines	\$ 20,389.94	451.15	\$ 45.20	\$ 48,394,950	1,070,799
Anticoagulants	\$ 15,221.04	209.24	\$ 72.74	\$ 36,126,714	496,634
Antianxiety	\$ 14,504.32	308.22	\$ 47.06	\$ 34,425,605	731,548
Pain relievers, non-narcotic	\$ 13,455.72	101.29	\$ 132.84	\$ 31,936,780	240,410
Other hormones	\$ 11,455.17	37.83	\$ 302.81	\$ 27,188,535	89,788
Antivirus	\$ 11,255.31	73.47	\$ 153.21	\$ 26,714,152	174,368
Hematinics	\$ 11,257.86	36.51	\$ 308.38	\$ 26,720,217	86,647
Dermatologicals	\$ 9,711.93	121.36	\$ 80.03	\$ 23,051,005	288,036
Anticancer	\$ 10,019.15	60.87	\$ 164.60	\$ 23,780,184	144,470
Fungicides	\$ 8,992.76	165.74	\$ 54.26	\$ 21,344,074	393,376
Nose and ear	\$ 8,570.29	191.49	\$ 44.76	\$ 20,341,341	454,494
Glucocorticoids	\$ 7,927.61	311.28	\$ 25.47	\$ 18,815,962	738,820
Antibiotics, erythromycins	\$ 7,483.94	234.58	\$ 31.90	\$ 17,762,920	556,774
Eye preparation	\$ 6,751.35	196.75	\$ 34.31	\$ 16,024,143	466,976
Contraceptives, oral	\$ 5,884.67	257.48	\$ 22.85	\$ 13,967,096	611,129
Antinauseants	\$ 5,249.41	67.09	\$ 78.25	\$ 12,459,326	159,225
Sedative, non-barbiturate	\$ 5,044.44	109.68	\$ 45.99	\$ 11,972,843	260,312
Antibacterials, Urinary	\$ 5,522.25	90.98	\$ 60.70	\$ 13,106,902	215,941
Hormones, estrogens	\$ 6,987.41	208.52	\$ 33.51	\$ 16,584,428	494,915
Antibiotics, other	\$ 6,185.03	108.49	\$ 57.01	\$ 14,679,997	257,497
Antibiotics, pncicillins	\$ 5,833.52	335.36	\$ 17.39	\$ 13,845,700	795,977
Stimulants	\$ 4,397.76	74.85	\$ 58.75	\$ 10,437,949	177,663
Parasympathetic agents	\$ 4,634.22	40.26	\$ 115.11	\$ 10,999,198	95,557
Antibiotics, cephalosporins	\$ 4,314.03	139.38	\$ 30.95	\$ 10,239,220	330,818
Muscle relaxants	\$ 3,501.87	114.20	\$ 30.66	\$ 8,311,599	271,056
Thyroid preparations	\$ 3,916.02	282.80	\$ 13.85	\$ 9,294,575	671,223
Amphetamine (weight loss)	\$ 2,316.66	34.12	\$ 67.90	\$ 5,498,537	80,981
Anti-biotics, tetracyclines	\$ 2,620.78	78.35	\$ 33.45	\$ 6,220,358	185,961
Diuretics (water pills)	\$ 2,600.60	380.79	\$ 6.83	\$ 6,172,446	903,798
Antispasmodic-anticholinergics	\$ 433.94	36.39	\$ 11.93	\$ 1,029,938	86,365
Antiparkinson	\$ 2,286.83	35.60	\$ 64.23	\$ 5,427,720	84,507
Electrolytes and misc nutrients	\$ 2,341.72	121.24	\$ 19.31	\$ 5,558,002	287,762
Hormones, androgens	\$ 1,942.45	13.35	\$ 145.49	\$ 4,610,360	31,688
Antiobesity	\$ 2,200.52	35.48	\$ 62.02	\$ 5,222,861	84,212
Anesthetics, local/topical	\$ 972.45	26.23	\$ 37.08	\$ 2,308,090	62,250
Medical supplies	\$ 1,357.00	56.22	\$ 24.14	\$ 3,220,796	133,437
Biologicals	\$ 1,083.16	0.51	\$ 2,110.71	\$ 2,570,847	1,218
Cough and cold	\$ 1,349.70	84.48	\$ 15.98	\$ 3,203,485	200,502
Vasodilators, coronary	\$ 1,539.23	128.20	\$ 12.01	\$ 3,653,326	304,289
Total Top 50 Therapeutic Classes 2003	\$ 643,888.23	11,938.74	\$ 53.93	\$ 1,528,250,692	28,336,266
Grand Total	\$ 657,931.48	12,604.85	\$ 52.20	\$ 1,561,581,943	29,917,262

Appendix C3
Pharmacy Provider Class – Retail
2004 Cost, Use and Price Experience by Top 50 Therapeutic Classes

Therapeutic Class Name	Per 1000 Members By		Payment Per Script	Total	
	Payments	Scripts		Payments	Scripts
Blood fat reducers	\$ 67,831.34	649.06	\$ 104.51	\$ 151,061,613	1,445,468
Antiulcer	\$ 56,041.04	541.44	\$ 103.50	\$ 124,804,397	1,205,789
Antidepressants	\$ 49,471.96	788.62	\$ 62.73	\$ 110,174,953	1,756,260
Unclassified drug products	\$ 49,392.45	565.64	\$ 87.32	\$ 109,997,866	1,259,686
Antiarthritis preps	\$ 42,747.98	571.18	\$ 74.84	\$ 95,200,525	1,272,030
Diabetic Therapy	\$ 27,751.35	461.71	\$ 60.11	\$ 61,802,750	1,028,238
Antihypertensives	\$ 26,257.69	815.65	\$ 32.19	\$ 58,476,356	1,816,475
Bronchial dilators (Asthma)	\$ 25,656.82	382.04	\$ 67.16	\$ 57,138,198	850,806
Cardiovascular	\$ 25,008.85	706.38	\$ 35.40	\$ 55,695,151	1,573,116
Pain relievers, narcotic	\$ 23,053.23	652.39	\$ 35.34	\$ 51,339,966	1,452,883
Anticonvulsants	\$ 20,105.07	219.19	\$ 91.72	\$ 44,774,357	488,141
Antihistamines	\$ 18,249.87	387.56	\$ 47.09	\$ 40,642,784	863,106
Anticoagulants	\$ 17,111.54	209.70	\$ 81.60	\$ 38,107,707	467,004
Antianxiety	\$ 14,381.81	301.45	\$ 47.71	\$ 32,028,552	671,335
Pain relievers, non-narcotic	\$ 13,499.80	94.10	\$ 143.47	\$ 30,064,294	209,553
Other hormones	\$ 12,162.71	34.61	\$ 351.43	\$ 27,086,568	77,075
Antivirus	\$ 11,718.21	72.24	\$ 162.20	\$ 26,096,674	160,889
Hematinics	\$ 11,530.85	33.06	\$ 348.76	\$ 25,679,419	73,631
Dermatologicals	\$ 11,243.98	123.51	\$ 91.04	\$ 25,040,538	275,058
Anticancer	\$ 11,222.47	59.22	\$ 189.52	\$ 24,992,642	131,875
Fungicides	\$ 9,128.92	160.85	\$ 56.75	\$ 20,330,270	358,213
Nose and ear	\$ 8,828.42	182.23	\$ 48.45	\$ 19,661,059	405,822
Glucocorticoids	\$ 7,791.76	300.83	\$ 25.90	\$ 17,352,384	669,963
Antibiotics, erythromycins	\$ 7,093.47	218.30	\$ 32.49	\$ 15,797,274	486,165
Eye preparation	\$ 7,065.66	192.90	\$ 36.63	\$ 15,735,354	429,584
Contraceptives, oral	\$ 6,522.99	261.54	\$ 24.94	\$ 14,526,822	582,449
Antinauseants	\$ 6,159.23	64.97	\$ 94.81	\$ 13,716,716	144,682
Sedative, non-barbiturate	\$ 5,847.61	113.06	\$ 51.72	\$ 13,022,733	251,776
Antibacterials, Urinary	\$ 5,772.85	91.62	\$ 63.01	\$ 12,856,248	204,035
Hormones, estrogens	\$ 5,710.72	162.88	\$ 35.06	\$ 12,717,884	362,726
Antibiotics, other	\$ 5,428.15	112.86	\$ 48.10	\$ 12,088,584	251,332
Antibiotics, penicillins	\$ 5,342.24	304.45	\$ 17.55	\$ 11,897,272	678,026
Stimulants	\$ 5,102.05	75.89	\$ 67.23	\$ 11,362,355	168,998
Parasympathetic agents	\$ 4,983.94	41.65	\$ 119.65	\$ 11,099,317	92,763
Antibiotics, cephalosporins	\$ 3,834.31	132.33	\$ 28.98	\$ 8,539,068	294,691
Muscle relaxants	\$ 3,763.62	112.93	\$ 33.33	\$ 8,381,639	251,502
Thyroid preparations	\$ 3,299.56	274.07	\$ 12.04	\$ 7,348,177	610,362
Amphetamine (weight loss)	\$ 3,069.79	40.15	\$ 76.46	\$ 6,836,475	89,414
Antibiotics, tetracyclines	\$ 2,786.46	74.02	\$ 37.65	\$ 6,205,489	164,840
Diuretics (water pills)	\$ 2,314.96	352.65	\$ 6.56	\$ 5,155,457	785,362
Antispasmodic-anticholinergics	\$ 2,252.32	58.84	\$ 38.28	\$ 5,015,947	131,043
Antiparkinson	\$ 2,236.65	32.73	\$ 68.34	\$ 4,981,062	72,891
Electrolytes and misc nutrients	\$ 2,208.92	107.83	\$ 20.48	\$ 4,919,300	240,142
Hormones, androgens	\$ 2,092.10	13.27	\$ 157.66	\$ 4,659,143	29,551
Antiobesity	\$ 1,944.57	31.99	\$ 60.78	\$ 4,330,586	71,247
Anesthetics, local/topical	\$ 1,540.26	30.16	\$ 51.08	\$ 3,430,188	67,157
Medical supplies	\$ 1,311.98	53.33	\$ 24.60	\$ 2,921,808	118,766
Biologics	\$ 1,258.36	0.58	\$ 2,170.72	\$ 2,802,397	1,291
Cough and cold	\$ 1,153.01	71.24	\$ 16.19	\$ 2,567,766	158,648
Vasodilators, coronary	\$ 1,148.89	106.91	\$ 10.75	\$ 2,558,608	238,097
Total Top 50 Therapeutic Classes 2004	\$ 661,432.77	11,445.78	\$ 57.79	\$ 1,473,022,691	25,489,956
Grand Total	\$ 672,087.28	12,009.27	\$ 55.96	\$ 1,496,750,461	26,744,851

Appendix C4
Pharmacy Provider Class – Mail Order
2002 Cost, Use and Price Experience by Top 50 Therapeutic Classes based on 2004

Description	Per 1000 Members		Payment Per Script	Total	
	Payments	Scripts		Payments	Scripts
Blood fat reducers	\$ 24,852.00	\$ 125.79	\$ 197.57	\$ 63,007,519	318,918
Antiulcer	\$ 22,287.85	\$ 81.43	\$ 273.69	\$ 56,506,605	206,461
Antiarthritis	\$ 14,400.86	\$ 77.48	\$ 185.87	\$ 36,510,656	196,429
Unclassified drug products	\$ 14,008.63	\$ 71.70	\$ 195.38	\$ 35,516,216	181,776
Antihypertensives	\$ 10,996.64	\$ 140.59	\$ 78.22	\$ 27,879,881	356,438
Diabetic therapy	\$ 10,676.04	\$ 78.33	\$ 136.29	\$ 27,067,078	198,593
Antidepressants	\$ 10,427.62	\$ 69.79	\$ 149.42	\$ 26,437,239	176,930
Cardiovascular	\$ 9,525.39	\$ 131.76	\$ 72.30	\$ 24,149,810	334,042
Antihistamines	\$ 7,493.17	\$ 50.43	\$ 148.59	\$ 18,997,501	127,855
Bronchial dilators (Asthma)	\$ 6,387.79	\$ 39.85	\$ 160.29	\$ 16,195,030	101,038
Anticoagulants	\$ 3,608.50	\$ 27.06	\$ 133.35	\$ 9,148,670	68,609
Anticonvulsants	\$ 3,475.45	\$ 18.43	\$ 188.57	\$ 8,811,347	46,727
Hormones, estrogens	\$ 2,746.95	\$ 61.44	\$ 44.71	\$ 6,964,370	155,760
Anticancer	\$ 2,363.10	\$ 8.08	\$ 292.62	\$ 5,991,180	20,474
Pain relievers, non-narcotic	\$ 2,289.68	\$ 7.57	\$ 302.52	\$ 5,805,043	19,189
Nose and ear	\$ 2,219.36	\$ 20.63	\$ 107.60	\$ 5,626,771	52,295
Antianxiety	\$ 2,101.13	\$ 19.70	\$ 106.64	\$ 5,327,019	49,955
Glucocorticoids	\$ 1,518.06	\$ 18.20	\$ 83.42	\$ 3,848,746	46,135
Antivirus	\$ 1,377.30	\$ 3.38	\$ 407.17	\$ 3,491,885	8,576
Eye preparation	\$ 1,372.53	\$ 13.72	\$ 100.02	\$ 3,479,783	34,791
Other hormones	\$ 1,367.42	\$ 4.34	\$ 315.25	\$ 3,466,828	10,997
Parasympathetic agents	\$ 1,114.70	\$ 3.82	\$ 291.83	\$ 2,826,109	9,684
Pain relievers, narcotic	\$ 1,070.54	\$ 15.46	\$ 69.26	\$ 2,714,139	39,189
Antiparkinson	\$ 843.36	\$ 4.87	\$ 173.22	\$ 2,138,171	12,344
Sedative, non-barbiturate	\$ 842.85	\$ 8.24	\$ 102.35	\$ 2,136,895	20,879
Thyroid preparations	\$ 839.09	\$ 49.81	\$ 16.85	\$ 2,127,342	126,278
Hematinics	\$ 803.84	\$ 2.40	\$ 335.08	\$ 2,037,986	6,082
Diuretics (water pills)	\$ 776.22	\$ 62.17	\$ 12.49	\$ 1,967,956	157,620
Vasodilators, coronary	\$ 771.98	\$ 19.80	\$ 38.99	\$ 1,957,217	50,198
Fungicides	\$ 732.03	\$ 5.21	\$ 140.43	\$ 1,855,932	13,216
Electrolytes and nutrients	\$ 562.64	\$ 19.41	\$ 28.99	\$ 1,426,479	49,206
Dermatologicals	\$ 560.26	\$ 4.87	\$ 115.00	\$ 1,420,432	12,352
Muscle relaxants	\$ 541.70	\$ 6.00	\$ 90.22	\$ 1,373,369	15,222
Cholesterol reducers	\$ 471.76	\$ 2.45	\$ 192.45	\$ 1,196,059	6,215
Contraceptives, oral	\$ 470.66	\$ 10.69	\$ 44.05	\$ 1,193,270	27,091
Hormones, androgens	\$ 389.33	\$ 1.21	\$ 322.57	\$ 987,079	3,060
Antiobesity	\$ 385.43	\$ 2.09	\$ 184.17	\$ 977,184	5,306
Antinauseants	\$ 298.41	\$ 3.83	\$ 77.99	\$ 756,573	9,701
Medical supplies	\$ 289.91	\$ 7.66	\$ 37.86	\$ 735,012	19,412
Cough suppressants-expectorants	\$ 235.85	\$ 3.16	\$ 74.72	\$ 597,951	8,003
Antibiotics, tetracyclines	\$ 234.49	\$ 2.73	\$ 85.78	\$ 594,517	6,931
Antibiotics	\$ 210.76	\$ 1.86	\$ 113.45	\$ 534,332	4,710
Enzymes	\$ 195.90	\$ 0.52	\$ 377.70	\$ 496,675	1,315
Antimalaria	\$ 182.53	\$ 4.12	\$ 44.27	\$ 462,769	10,453
Stimulants	\$ 179.69	\$ 1.23	\$ 146.11	\$ 455,563	3,118
Bile therapy for digestion	\$ 136.29	\$ 0.46	\$ 296.85	\$ 345,536	1,164
Antispasmodic-anticholinergics	\$ 122.10	\$ 3.59	\$ 33.98	\$ 309,561	9,111
Anesthetics, local/topical	\$ 109.11	\$ 0.58	\$ 188.44	\$ 276,631	1,468
Aldosterone antagonists	\$ 89.31	\$ 3.54	\$ 25.20	\$ 226,433	8,984
Amphetamine (weight loss)	\$ 76.38	\$ 0.44	\$ 173.06	\$ 193,649	1,119
Top 50 Therapeutic Classes 2002	\$ 169,032.58	\$ 1,321.90	\$ 127.87	\$ 428,549,998	3,351,419
Grand Total	\$ 170,690.71	\$ 1,372.49	\$ 124.37	\$ 432,753,862	3,479,695

Appendix C5
Pharmacy Provider Class – Mail Order
2003 Cost, Use and Price Experience by Top 50 Therapeutic Classes based on 2004

Description	Per 1000 Members		Payment Per Script	Total	
	Payments	Scripts		Payments	Scripts
Blood fat reducers	\$ 32,339.04	161.73	\$ 199.96	\$ 76,755,795	383,865
Antiulcer	\$ 23,458.31	99.23	\$ 236.40	\$ 55,677,635	235,520
Unclassified drug products	\$ 19,507.43	93.46	\$ 208.73	\$ 46,300,347	221,817
Antiarthritis	\$ 18,211.87	89.02	\$ 204.58	\$ 43,225,366	211,290
Diabetic therapy	\$ 13,223.22	91.53	\$ 144.46	\$ 31,384,946	217,254
Antihypertensives	\$ 13,168.85	171.12	\$ 76.96	\$ 31,255,895	406,142
Antidepressants	\$ 12,989.16	84.03	\$ 154.57	\$ 30,829,414	199,449
Cardiovascular	\$ 11,014.99	154.14	\$ 71.46	\$ 26,143,773	365,857
Bronchial dilators (Asthma)	\$ 8,451.99	47.19	\$ 179.12	\$ 20,060,557	111,993
Antihistamines	\$ 6,587.72	50.52	\$ 130.39	\$ 15,635,773	119,911
Anticoagulants	\$ 5,446.92	36.32	\$ 149.99	\$ 12,928,101	86,194
Anticonvulsants	\$ 4,815.08	22.90	\$ 210.28	\$ 11,428,459	54,349
Pain relievers, non-narcotic	\$ 2,811.53	8.71	\$ 322.84	\$ 6,673,088	20,670
Anticancer	\$ 2,745.68	9.37	\$ 293.01	\$ 6,516,803	22,241
Nose and ear	\$ 2,707.99	23.52	\$ 115.13	\$ 6,427,340	55,825
Antianxiety	\$ 2,674.13	22.63	\$ 118.15	\$ 6,346,967	53,718
Hormones, estrogens	\$ 2,105.97	43.35	\$ 48.58	\$ 4,998,467	102,896
Antivirus	\$ 1,833.01	4.11	\$ 445.48	\$ 4,350,598	9,766
Eye preparation	\$ 1,759.28	15.69	\$ 112.09	\$ 4,175,609	37,251
Other hormones	\$ 1,758.13	4.43	\$ 396.74	\$ 4,172,879	10,518
Parasympathetic agents	\$ 1,541.80	5.09	\$ 303.11	\$ 3,659,410	12,073
Glucocorticoids	\$ 1,506.23	18.45	\$ 81.62	\$ 3,575,006	43,802
Pain relievers, narcotic	\$ 1,243.88	17.94	\$ 69.33	\$ 2,952,316	42,584
Sedative, non-barbiturate	\$ 1,153.53	10.05	\$ 114.75	\$ 2,737,869	23,860
Hematinics	\$ 1,093.84	2.73	\$ 400.40	\$ 2,596,197	6,484
Antiparkinson	\$ 1,001.25	5.73	\$ 174.84	\$ 2,376,448	13,592
Thyroid preparations	\$ 1,000.93	58.76	\$ 17.03	\$ 2,375,669	139,471
Fungicides	\$ 857.56	5.76	\$ 148.95	\$ 2,035,400	13,665
Vasodilators, coronary	\$ 792.41	21.48	\$ 36.89	\$ 1,880,761	50,977
Dermatologicals	\$ 735.61	5.93	\$ 124.02	\$ 1,745,939	14,078
Diuretics (water pills)	\$ 724.86	72.68	\$ 9.97	\$ 1,720,426	172,507
Muscle relaxants	\$ 651.25	6.85	\$ 95.02	\$ 1,545,735	16,268
Electrolytes and nutrients	\$ 632.47	21.70	\$ 29.15	\$ 1,501,155	51,504
Hormones, androgens	\$ 571.76	1.53	\$ 373.12	\$ 1,357,051	3,637
Cholesterol reducers	\$ 514.26	2.50	\$ 205.38	\$ 1,220,576	5,943
Contraceptives, oral	\$ 475.97	12.35	\$ 38.55	\$ 1,129,711	29,304
Antinauseants	\$ 383.07	4.32	\$ 88.58	\$ 909,216	10,264
Antiobesity	\$ 376.63	2.08	\$ 180.81	\$ 893,916	4,944
Medical supplies	\$ 315.19	8.17	\$ 38.56	\$ 748,090	19,402
Antibiotics, tetracyclines	\$ 293.87	2.98	\$ 98.70	\$ 697,486	7,067
Stimulants	\$ 254.34	1.52	\$ 167.64	\$ 603,670	3,601
Enzymes	\$ 251.42	0.59	\$ 428.99	\$ 596,730	1,391
Antimalaria	\$ 239.42	4.89	\$ 48.98	\$ 568,260	11,602
Cough suppressants-expectorants	\$ 238.40	2.88	\$ 82.76	\$ 565,841	6,837
Antibiotics, other	\$ 219.62	1.95	\$ 112.85	\$ 521,255	4,619
Bile therapy for digestion	\$ 197.02	0.66	\$ 300.34	\$ 467,624	1,557
Anesthetics, local/topical	\$ 168.01	0.65	\$ 259.11	\$ 398,769	1,539
Antispasmodic-anticholinergics	\$ 124.35	3.95	\$ 31.52	\$ 295,150	9,365
Amphetamine (weight loss)	\$ 123.74	0.71	\$ 174.09	\$ 293,682	1,687
Aldosterone Antagonists	\$ 96.09	4.33	\$ 22.17	\$ 228,070	10,288
Top 50 Therapeutic Classes 2003	\$ 205,389.08	1,542.23	\$ 133.18	\$ 487,485,236	3,660,438
Grand Total	\$ 207,502.16	1,596.68	\$ 129.96	\$ 492,500,567	3,789,676

Appendix C6
Pharmacy Provider Class – Mail Order
2004 Cost, Use and Price Experience by Top 50 Therapeutic Classes

Therapeutic Class	Per 1000 Members		Payment Per Script	Total	
	Payments	Scripts		Payments	Scripts
Blood fat reducers	\$ 65,957.23	315.36	\$ 209.15	\$ 146,887,948	702,306
Antiulcer	\$ 43,475.13	168.43	\$ 258.12	\$ 96,819,899	375,093
Unclassified drug products	\$ 33,349.38	154.77	\$ 215.47	\$ 74,269,675	344,685
Antiarthritis	\$ 31,845.42	143.65	\$ 221.68	\$ 70,920,333	319,920
Antihypertensives	\$ 26,918.10	324.50	\$ 82.95	\$ 59,947,098	722,661
Diabetic therapy	\$ 25,199.00	170.75	\$ 147.58	\$ 56,118,623	380,262
Cardiovascular	\$ 22,931.24	299.40	\$ 76.59	\$ 51,068,282	666,760
Antidepressants	\$ 21,914.65	141.38	\$ 155.00	\$ 48,804,318	314,865
Bronchial dilators (Asthma)	\$ 17,466.30	88.41	\$ 197.57	\$ 38,897,755	196,883
Anticoagulants	\$ 13,298.37	74.54	\$ 178.40	\$ 29,615,718	166,004
Antihistamines	\$ 10,398.81	75.03	\$ 138.59	\$ 23,158,346	167,099
Anticonvulsants	\$ 9,478.93	42.45	\$ 223.32	\$ 21,109,744	94,526
Antianxiety	\$ 5,533.04	44.37	\$ 124.71	\$ 12,322,183	98,804
Anticancer, preps	\$ 5,418.95	14.86	\$ 364.65	\$ 12,068,094	33,095
Nose and ear	\$ 4,476.28	35.45	\$ 126.26	\$ 9,968,761	78,954
Pain relievers, non-narcotic	\$ 4,194.48	12.56	\$ 333.95	\$ 9,341,181	27,972
Eye preparation	\$ 4,091.10	30.73	\$ 133.14	\$ 9,110,951	68,429
Parasympathetic agents	\$ 3,418.49	10.69	\$ 319.71	\$ 7,613,037	23,812
Hormones, estrogens	\$ 3,213.82	55.82	\$ 57.57	\$ 7,157,233	124,322
Antivirus	\$ 2,836.24	5.93	\$ 478.37	\$ 6,316,363	13,204
Pain relievers, narcotic	\$ 2,802.39	35.55	\$ 78.82	\$ 6,240,964	79,178
Sedative, non-barbiturate	\$ 2,468.24	18.47	\$ 133.60	\$ 5,496,826	41,144
Otherhormones	\$ 2,468.03	6.31	\$ 391.12	\$ 5,496,340	14,053
Glucocorticoids	\$ 2,420.54	27.64	\$ 87.57	\$ 5,390,584	61,559
Hematinics	\$ 2,223.28	5.24	\$ 424.46	\$ 4,951,285	11,665
Antispasmodic-anticholinergics	\$ 2,102.22	15.80	\$ 133.02	\$ 4,681,672	35,196
Antiparkinson	\$ 1,718.53	9.82	\$ 174.96	\$ 3,827,202	21,875
Thyroid Preparations	\$ 1,390.31	104.20	\$ 13.34	\$ 3,096,246	232,056
Vasodilators, coronary	\$ 1,381.47	38.90	\$ 35.51	\$ 3,076,558	86,629
Dermatologicals	\$ 1,363.64	9.14	\$ 149.21	\$ 3,036,856	20,353
Fungicides	\$ 1,330.04	8.19	\$ 162.37	\$ 2,962,030	18,243
Electrolytes and nutrients	\$ 1,291.62	42.59	\$ 30.33	\$ 2,876,471	94,854
Diuretics (water pills)	\$ 1,271.44	141.98	\$ 8.96	\$ 2,831,511	316,191
Muscle relaxants	\$ 1,262.34	12.08	\$ 104.51	\$ 2,811,260	26,900
Hormones, androgens	\$ 1,084.93	2.69	\$ 404.04	\$ 2,416,167	5,980
Antinauseants	\$ 818.11	8.36	\$ 97.82	\$ 1,821,940	18,626
Cholesterol reducers	\$ 774.89	3.50	\$ 221.56	\$ 1,725,693	7,789
Antiobesity	\$ 685.23	3.15	\$ 217.85	\$ 1,526,028	7,005
Contraceptives, oral	\$ 638.51	16.42	\$ 38.88	\$ 1,421,974	36,571
Medical supplies	\$ 580.72	14.03	\$ 41.38	\$ 1,293,279	31,252
Anesthetics, local/topical	\$ 500.61	1.69	\$ 295.57	\$ 1,114,875	3,772
Antibiotics, tetracyclines	\$ 466.12	4.06	\$ 114.82	\$ 1,038,067	9,041
Stimulants	\$ 463.66	2.51	\$ 184.65	\$ 1,032,572	5,592
Enzymes	\$ 366.70	0.98	\$ 373.92	\$ 816,638	2,184
Antimalaria	\$ 361.18	7.91	\$ 45.63	\$ 804,351	17,626
Bile therapy for digestion	\$ 315.40	1.01	\$ 311.07	\$ 702,403	2,258
Antibiotics, other	\$ 286.47	2.64	\$ 108.31	\$ 637,966	5,890
Cough suppressants-expectorants	\$ 270.88	2.86	\$ 94.72	\$ 603,264	6,369
Amphetamine (weight loss)	\$ 264.51	1.32	\$ 199.89	\$ 589,062	2,947
Aldosterone antagonists	\$ 248.85	9.08	\$ 27.42	\$ 554,196	20,211
Top 50 Therapeutic Class 2004	\$ 389,035.84	2,767.23	\$ 140.59	\$ 866,389,816	6,162,665
Grand Total	\$ 391,464.23	2,849.49	\$ 137.38	\$ 871,797,886	6,345,859

Appendix C7
Pharmacy Provider Class – Retail
2002 Cost, Use and Price Experience by Top 50 Drugs by Payout based on 2004

GCN	Brand Name	Per 1000 Members By		Payment Per Script	Total	
		Payments	Scripts		Payments	Scripts
01698	Prevacid	\$ 16,310.22	126.83	\$ 128.60	\$ 38,711,852	301,035
43720	Lipitor	\$ 12,622.99	150.22	\$ 84.03	\$ 29,960,322	356,553
04348	Prilosec	\$ 12,185.25	105.34	\$ 115.67	\$ 28,921,353	250,028
43721	Lipitor	\$ 11,644.64	88.15	\$ 132.10	\$ 27,638,224	209,226
12868	Nexium	\$ 11,370.41	96.86	\$ 117.39	\$ 26,987,354	229,893
26533	Zocor	\$ 10,853.73	65.16	\$ 166.57	\$ 25,761,019	154,659
42002	Celebrex	\$ 10,596.93	114.27	\$ 92.74	\$ 25,151,511	271,206
96010	Plavix	\$ 8,933.00	91.20	\$ 97.95	\$ 21,202,229	216,454
52651	Enbrel	\$ 8,769.16	7.69	\$ 1,139.71	\$ 20,813,344	18,262
93161	Vioxx	\$ 7,507.13	104.58	\$ 71.78	\$ 17,817,957	248,222
26534	Zocor	\$ 6,353.74	39.22	\$ 162.02	\$ 15,080,429	93,077
40120	Protonix	\$ 6,127.58	66.14	\$ 92.64	\$ 14,543,629	156,988
94444	Singular	\$ 5,434.72	62.38	\$ 87.12	\$ 12,899,159	148,061
85361	Fosamax	\$ 5,368.40	101.88	\$ 52.69	\$ 12,741,758	241,820
94639	Aciphex	\$ 5,160.17	44.70	\$ 115.43	\$ 12,247,525	106,103
48673	Pravachol	\$ 4,992.48	30.65	\$ 162.89	\$ 11,849,507	72,747
46594	Allegra	\$ 4,526.06	81.57	\$ 55.49	\$ 10,742,480	193,599
50594	Advair Diskus	\$ 4,508.45	38.56	\$ 116.93	\$ 10,700,689	91,510
16374	Zolofit	\$ 4,493.45	65.53	\$ 68.57	\$ 10,665,079	155,527
43722	Lipitor	\$ 4,298.04	32.15	\$ 133.67	\$ 10,201,287	76,317
49291	Zyrtec	\$ 4,212.00	93.00	\$ 45.29	\$ 9,997,060	220,739
16375	Zolofit	\$ 3,716.80	50.95	\$ 72.94	\$ 8,821,730	120,937
02682	Norvasc	\$ 3,573.08	51.64	\$ 69.19	\$ 8,480,596	122,561
57903	Viagra	\$ 3,547.05	47.73	\$ 74.31	\$ 8,418,821	113,289
16817	Effexor XR	\$ 3,468.95	34.04	\$ 101.90	\$ 8,233,467	80,801
25115	Epogen, Procrit	\$ 3,377.74	1.72	\$ 1,964.46	\$ 8,016,960	4,081
00871	Ambien PAK	\$ 3,369.34	56.45	\$ 59.69	\$ 7,997,025	133,982
48793	Zithromax	\$ 3,344.13	115.04	\$ 29.07	\$ 7,937,203	273,039
02683	Norvasc	\$ 3,306.22	66.36	\$ 49.82	\$ 7,847,215	157,509
47074	Levaquin	\$ 3,285.02	43.27	\$ 75.91	\$ 7,796,894	102,710
60823	Lamisil	\$ 3,277.32	14.40	\$ 227.59	\$ 7,778,635	34,178
12762	Clarinox	\$ 3,131.46	58.72	\$ 53.33	\$ 7,432,438	139,369
00781	Neurontin	\$ 3,032.25	30.61	\$ 99.05	\$ 7,196,966	72,661
16431	Copaxone	\$ 2,903.07	2.84	\$ 1,021.70	\$ 6,890,345	6,744
13906	Tricor	\$ 2,872.36	39.45	\$ 72.81	\$ 6,817,458	93,635
93011	Actos	\$ 2,851.63	19.16	\$ 148.80	\$ 6,768,255	45,487
62263	Flonase	\$ 2,766.63	58.14	\$ 47.58	\$ 6,566,514	138,003
59011	Evista	\$ 2,762.12	44.48	\$ 62.10	\$ 6,555,824	105,571
63565	Allegra-D 12 Hour	\$ 2,735.29	55.35	\$ 49.42	\$ 6,492,125	131,368
93001	Actos	\$ 2,730.59	20.18	\$ 135.34	\$ 6,480,979	47,887
48191	Flomax	\$ 2,665.29	52.15	\$ 51.11	\$ 6,325,987	123,781
16286	Oxycontin	\$ 2,597.72	2.97	\$ 873.44	\$ 6,165,624	7,059
16818	Effexor X XR	\$ 2,438.33	26.56	\$ 91.82	\$ 5,787,303	63,029
50584	Advair Diskus	\$ 2,347.13	26.17	\$ 89.70	\$ 5,570,848	62,107
50604	Advair Diskus	\$ 2,330.85	13.79	\$ 168.96	\$ 5,532,199	32,742
15481	Bextra	\$ 2,055.76	27.99	\$ 73.45	\$ 4,879,289	66,432
17851	Lexapro	\$ 1,988.64	38.68	\$ 51.41	\$ 4,719,980	91,813
18387	Zetia	\$ 1,867.67	34.61	\$ 53.96	\$ 4,432,857	82,153
17378	Actonel	\$ 1,707.20	34.02	\$ 50.18	\$ 4,052,003	80,757
18924	Humira	\$ 1,245.91	1.03	\$ 1,214.92	\$ 2,957,122	2,434
Total Top 50 GCN 2003		\$ 247,564.09	2,674.62	\$ 92.56	\$ 587,586,430	6,348,145
Grand Total		\$ 657,931.48	12,604.85	\$ 52.20	\$ 1,561,581,943	29,917,262

Appendix C8
Pharmacy Provider Class – Retail
2003 Cost, Use and Price Experience by Top 50 Drugs by Payout based on 2004

GCN	Brand Name	Per 1000 Members By		Payment Per Script	Total	
		Payments	Scripts		Payments	Scripts
01698	Prevacid	\$ 16,310.22	126.83	\$ 128.60	\$ 38,711,852	301,035
43720	Lipitor	\$ 12,622.99	150.22	\$ 84.03	\$ 29,960,322	356,553
04348	Prilosec	\$ 12,185.25	105.34	\$ 115.67	\$ 28,921,353	250,028
43721	Lipitor	\$ 11,644.64	88.15	\$ 132.10	\$ 27,638,224	209,226
12868	Nexium	\$ 11,370.41	96.86	\$ 117.39	\$ 26,987,354	229,893
26533	Zocor	\$ 10,853.73	65.16	\$ 166.57	\$ 25,761,019	154,659
42002	Celebrex	\$ 10,596.93	114.27	\$ 92.74	\$ 25,151,511	271,206
96010	Plavix	\$ 8,933.00	91.20	\$ 97.95	\$ 21,202,229	216,454
52651	Enbrel	\$ 8,769.16	7.69	\$ 1,139.71	\$ 20,813,344	18,262
93161	Vioxx	\$ 7,507.13	104.58	\$ 71.78	\$ 17,817,957	248,222
26534	Zocor	\$ 6,353.74	39.22	\$ 162.02	\$ 15,080,429	93,077
40120	Protonix	\$ 6,127.58	66.14	\$ 92.64	\$ 14,543,629	156,988
94444	Singular	\$ 5,434.72	62.38	\$ 87.12	\$ 12,899,159	148,061
85361	Fosamax	\$ 5,368.40	101.88	\$ 52.69	\$ 12,741,758	241,820
94639	Aciphex	\$ 5,160.17	44.70	\$ 115.43	\$ 12,247,525	106,103
48673	Pravachol	\$ 4,992.48	30.65	\$ 162.89	\$ 11,849,507	72,747
46594	Allegra	\$ 4,526.06	81.57	\$ 55.49	\$ 10,742,480	193,599
50594	Advair Diskus	\$ 4,508.45	38.56	\$ 116.93	\$ 10,700,689	91,510
16374	Zoloft	\$ 4,493.45	65.53	\$ 68.57	\$ 10,665,079	155,527
43722	Lipitor	\$ 4,298.04	32.15	\$ 133.67	\$ 10,201,287	76,317
49291	Zyrtec	\$ 4,212.00	93.00	\$ 45.29	\$ 9,997,060	220,739
16375	Zoloft	\$ 3,716.80	50.95	\$ 72.94	\$ 8,821,730	120,937
02682	Norvasc	\$ 3,573.08	51.64	\$ 69.19	\$ 8,480,596	122,561
57903	Viagra	\$ 3,547.05	47.73	\$ 74.31	\$ 8,418,821	113,289
16817	Effexor XR	\$ 3,468.95	34.04	\$ 101.90	\$ 8,233,467	80,801
25115	Epogen, Procrit	\$ 3,377.74	1.72	\$ 1,964.46	\$ 8,016,960	4,081
00871	Ambien PAK	\$ 3,369.34	56.45	\$ 59.69	\$ 7,997,025	133,982
48793	Zithromax	\$ 3,344.13	115.04	\$ 29.07	\$ 7,937,203	273,039
02683	Norvasc	\$ 3,306.22	66.36	\$ 49.82	\$ 7,847,215	157,509
47074	Levaquin	\$ 3,285.02	43.27	\$ 75.91	\$ 7,796,894	102,710
60823	Lamisil	\$ 3,277.32	14.40	\$ 227.59	\$ 7,778,635	34,178
12762	Clarinet	\$ 3,131.46	58.72	\$ 53.33	\$ 7,432,438	139,369
00781	Neurontin	\$ 3,032.25	30.61	\$ 99.05	\$ 7,196,966	72,661
16431	Copaxone	\$ 2,903.07	2.84	\$ 1,021.70	\$ 6,890,345	6,744
13906	Tricor	\$ 2,872.36	39.45	\$ 72.81	\$ 6,817,458	93,635
93011	Actos	\$ 2,851.63	19.16	\$ 148.80	\$ 6,768,255	45,487
62263	Flonase	\$ 2,766.63	58.14	\$ 47.58	\$ 6,566,514	138,003
59011	Evista	\$ 2,762.12	44.48	\$ 62.10	\$ 6,555,824	105,571
63565	Allegra-D 12 Hour	\$ 2,735.29	55.35	\$ 49.42	\$ 6,492,125	131,368
93001	Actos	\$ 2,730.59	20.18	\$ 135.34	\$ 6,480,979	47,887
48191	Flomax	\$ 2,665.29	52.15	\$ 51.11	\$ 6,325,987	123,781
16286	Oxycontin	\$ 2,597.72	2.97	\$ 873.44	\$ 6,165,624	7,059
16818	Effexor X XR	\$ 2,438.33	26.56	\$ 91.82	\$ 5,787,303	63,029
50584	Advair Diskus	\$ 2,347.13	26.17	\$ 89.70	\$ 5,570,848	62,107
50604	Advair Diskus	\$ 2,330.85	13.79	\$ 168.96	\$ 5,532,199	32,742
15481	Bextra	\$ 2,055.76	27.99	\$ 73.45	\$ 4,879,289	66,432
17851	Lexapro	\$ 1,988.64	38.68	\$ 51.41	\$ 4,719,980	91,813
18387	Zetia	\$ 1,867.67	34.61	\$ 53.96	\$ 4,432,857	82,153
17378	Actonel	\$ 1,707.20	34.02	\$ 50.18	\$ 4,052,003	80,757
18924	Humira	\$ 1,245.91	1.03	\$ 1,214.92	\$ 2,957,122	2,434
Total Top 50 GCN 2003		\$ 247,564.09	2,674.62	\$ 92.56	\$ 587,586,430	6,348,145
Grand Total		\$ 657,931.48	12,604.85	\$ 52.20	\$ 1,561,581,943	29,917,262

Appendix C9
Pharmacy Provider Class – Retail
2004 Cost, Use and Price Experience by Top 50 Drugs by Payout

GCN	Brand Name	Per 1000 Members By		Payment	Total	
		Payments	Scripts	Per Script	Payments	Scripts
01698	Prevacid	\$ 15,596.36	116.28	\$ 134.12	\$34,733,374	258,966
12868	Nexium	\$ 13,146.57	103.06	\$ 127.57	\$29,277,645	229,507
43720	Lipitor 10mg	\$ 11,964.94	133.38	\$ 89.70	\$26,646,134	297,045
43721	Lipitor 20mg	\$ 11,373.74	83.80	\$ 135.73	\$25,329,532	186,615
52651	Enbrel	\$ 10,986.94	8.82	\$ 1,246.21	\$24,468,123	19,634
96010	Plavix	\$ 10,152.41	96.46	\$ 105.25	\$22,609,591	214,819
42002	Celebrex	\$ 10,149.75	106.53	\$ 95.27	\$22,603,683	237,253
26533	Zocor 20mg	\$ 9,044.71	51.48	\$ 175.71	\$20,142,724	114,637
04348	Prilosec	\$ 8,040.36	82.05	\$ 97.99	\$17,906,035	182,730
26534	Zocor 40mg	\$ 6,557.86	38.32	\$ 171.12	\$14,604,477	85,347
40120	Protonix	\$ 6,322.70	65.56	\$ 96.45	\$14,080,760	145,993
94444	Singular	\$ 6,029.29	66.23	\$ 91.04	\$13,427,332	147,492
85361	Fosamax	\$ 5,360.26	95.37	\$ 56.20	\$11,937,404	212,400
94639	Aciphex	\$ 5,328.01	42.04	\$ 126.75	\$11,865,568	93,617
93161	Vioxx	\$ 5,253.95	70.06	\$ 74.99	\$11,700,631	156,021
50594	Advair Diskus 250-50mcg	\$ 5,198.15	42.55	\$ 122.15	\$11,576,379	94,770
46594	Allegra	\$ 4,834.98	82.25	\$ 58.79	\$10,767,598	183,162
16374	Zoloft 50mg	\$ 4,473.92	61.74	\$ 72.47	\$9,963,511	137,490
43722	Lipitor 40 mg	\$ 4,457.74	32.56	\$ 136.90	\$9,927,466	72,518
48673	Pravachol	\$ 4,261.52	24.72	\$ 172.42	\$9,490,481	55,044
16817	Effexor XR 75 mg	\$ 4,253.40	37.37	\$ 113.83	\$9,472,398	83,215
00871	Ambien PAK	\$ 4,095.16	62.28	\$ 65.75	\$9,119,985	138,707
49291	Zyrtec	\$ 4,019.69	85.39	\$ 47.07	\$8,951,914	190,172
16375	Zoloft 100mg	\$ 3,893.45	50.15	\$ 77.63	\$8,670,782	111,688
60823	Lamisil	\$ 3,689.97	14.79	\$ 249.52	\$8,217,621	32,934
02682	Norvasc 10mg	\$ 3,321.41	46.79	\$ 70.99	\$7,396,831	104,199
18387	Zetia	\$ 3,314.12	55.88	\$ 59.31	\$7,380,604	124,442
47074	Levaquin	\$ 3,279.49	42.84	\$ 76.55	\$7,303,481	95,402
48793	Zithromax	\$ 3,243.18	106.56	\$ 30.44	\$7,222,625	237,311
16431	Copaxone	\$ 3,237.20	2.76	\$ 1,174.92	\$7,209,302	6,136
13906	Tricor	\$ 3,212.21	39.24	\$ 81.85	\$7,153,660	87,398
25115	epogen, Procrit	\$ 3,150.18	1.53	\$ 2,052.52	\$7,015,503	3,418
17851	Lexapro	\$ 3,061.10	58.59	\$ 52.24	\$6,817,128	130,491
16286	Oxycontin	\$ 3,022.40	3.48	\$ 869.40	\$6,730,933	7,742
02683	Norvasc 5mg	\$ 3,015.76	57.72	\$ 52.25	\$6,716,155	128,541
57903	Viagra	\$ 2,971.30	38.88	\$ 76.42	\$6,617,131	86,594
16818	Effexor XR 150 mg	\$ 2,955.31	28.83	\$ 102.52	\$6,581,520	64,195
00781	Neurontin	\$ 2,941.48	29.46	\$ 99.84	\$6,550,733	65,611
15481	Bextra	\$ 2,887.67	37.20	\$ 77.63	\$6,430,897	82,840
62263	Flonase	\$ 2,828.28	55.30	\$ 51.14	\$6,298,635	123,155
93011	Actos 40mg	\$ 2,759.40	17.23	\$ 160.14	\$6,145,239	38,373
18924	Humira	\$ 2,734.65	2.08	\$ 1,317.07	\$6,090,118	4,624
12762	Clarinox	\$ 2,700.14	45.86	\$ 58.88	\$6,013,268	102,130
93001	Actos 30mg	\$ 2,662.49	18.31	\$ 145.40	\$5,929,410	40,779
63565	Allegra-D 12 Hour	\$ 2,627.92	50.19	\$ 52.36	\$5,852,425	111,775
17378	Actonel	\$ 2,592.79	48.06	\$ 53.95	\$5,774,184	107,026
50604	Advair Diskus 500-50mcg	\$ 2,585.97	14.52	\$ 178.05	\$5,758,993	32,344
59011	Evista	\$ 2,565.47	38.08	\$ 67.38	\$5,713,348	84,797
50584	Advair Diskus 100-50mcg	\$ 2,502.50	26.72	\$ 93.65	\$5,573,121	59,512
48191	Flomax	\$ 2,448.66	48.22	\$ 50.78	\$5,453,203	107,383
Total Top 50 GCN 2004		\$ 251,106.90	2,567.56	\$ 97.80	\$559,219,595	5,717,994
Grand Total		\$ 672,087.28	12,009.27	\$ 55.96	\$1,496,750,461	26,744,851

Appendix C10
Pharmacy Provider Class – Mail Order
2002 Cost, Use and Price Experience by Top 50 Drugs by Payout based on 2004

GCN	Brand Name	Per 1000 Members by		Payment Per	Total	
		Payments	Scripts		Payments	Scripts
04348	Prilosec	\$ 9,448.43	28.59	\$ 330.49	\$ 23,954,704	72,483
42002	Celebrex	\$ 5,382.61	22.33	\$ 241.05	\$ 13,646,583	56,614
26533	Zocor 20mg	\$ 5,099.44	17.76	\$ 287.08	\$ 12,928,654	45,035
43720	Lipitor 10mg	\$ 4,452.20	31.29	\$ 142.29	\$ 11,287,704	79,329
01698	Prevacid	\$ 4,130.29	12.91	\$ 319.96	\$ 10,471,570	32,728
43721	Lipitor 20mg	\$ 3,896.74	17.56	\$ 221.96	\$ 9,879,456	44,510
93161	Vioxx	\$ 2,906.78	15.94	\$ 182.38	\$ 7,369,578	40,408
26534	Zocor 40mg	\$ 2,714.91	9.50	\$ 285.84	\$ 6,883,136	24,080
96010	Plavix	\$ 2,552.09	10.13	\$ 251.82	\$ 6,470,332	25,694
12868	Nexium	\$ 2,391.65	8.37	\$ 285.84	\$ 6,063,563	21,213
85361	Fosamax	\$ 2,357.07	17.33	\$ 136.00	\$ 5,975,909	43,941
52651	Enbrel	\$ 1,868.64	0.67	\$ 2,777.01	\$ 4,737,580	1,706
43722	Lipitor 40mg	\$ 1,744.07	7.08	\$ 246.50	\$ 4,421,762	17,938
94444	Singulair	\$ 1,449.14	8.00	\$ 181.24	\$ 3,674,010	20,272
59011	Evista	\$ 1,415.75	9.66	\$ 146.61	\$ 3,589,358	24,483
40120	Protonix	\$ 1,350.97	6.04	\$ 223.75	\$ 3,425,116	15,308
93011	Actos 45mg	\$ 1,298.52	3.52	\$ 368.91	\$ 3,292,145	8,924
02683	Norvasc 5mg	\$ 1,296.39	13.50	\$ 96.02	\$ 3,286,757	34,229
48673	Pravachol 40mg	\$ 1,278.91	4.49	\$ 285.05	\$ 3,242,423	11,375
49291	Zyrtec	\$ 1,276.64	10.31	\$ 123.82	\$ 3,236,684	26,140
26532	Zocor 10mg	\$ 1,241.34	7.83	\$ 158.54	\$ 3,147,180	19,851
93001	Actos 30mg	\$ 1,229.24	3.60	\$ 341.46	\$ 3,116,511	9,127
94639	Aciphex	\$ 1,168.94	3.98	\$ 293.89	\$ 2,963,616	10,084
16374	Zolof 50mg	\$ 1,160.99	6.65	\$ 174.51	\$ 2,943,469	16,867
50594	Advair diskus 250-50mcg	\$ 1,142.51	3.95	\$ 289.31	\$ 2,896,609	10,012
02682	Norvasc 10mg	\$ 1,121.52	8.07	\$ 138.90	\$ 2,843,411	20,471
93363	Avandia 8mg	\$ 1,101.91	3.27	\$ 336.51	\$ 2,793,695	8,302
48191	Flomax	\$ 1,002.25	7.89	\$ 127.00	\$ 2,541,026	20,008
46594	Allegra	\$ 962.91	6.83	\$ 140.89	\$ 2,441,285	17,328
00781	Neurontin	\$ 920.24	3.60	\$ 255.35	\$ 2,333,096	9,137
16375	Zolof 100mg	\$ 916.28	4.94	\$ 185.65	\$ 2,323,045	12,513
93203	Avandia 4mg	\$ 914.42	4.03	\$ 226.73	\$ 2,318,327	10,225
13906	Tricor	\$ 903.47	5.45	\$ 165.77	\$ 2,290,589	13,818
48672	Pravachol 20mg	\$ 881.32	4.92	\$ 179.24	\$ 2,234,410	12,466
62263	Flonase	\$ 881.12	7.66	\$ 115.00	\$ 2,233,918	19,425
16431	Copaxone	\$ 871.55	0.33	\$ 2,678.37	\$ 2,209,653	825
12263	Detrol la	\$ 810.57	4.46	\$ 181.81	\$ 2,055,048	11,303
14851	Cozaar	\$ 695.79	6.28	\$ 110.72	\$ 1,764,039	15,932
50604	Advair diskus 500-50mcg	\$ 654.87	1.57	\$ 416.95	\$ 1,660,294	3,982
26535	Zocor 80mg	\$ 610.31	2.19	\$ 278.70	\$ 1,547,325	5,552
16817	Effexor xr	\$ 589.13	2.41	\$ 244.74	\$ 1,493,626	6,103
50584	Advair diskus 100-50mcg	\$ 531.83	2.39	\$ 222.72	\$ 1,348,355	6,054
00871	Ambien pak	\$ 508.50	3.60	\$ 141.19	\$ 1,289,215	9,131
04300	Polyonic	\$ 443.75	1.48	\$ 300.01	\$ 1,125,033	3,750
15475	Bextra 10mg	\$ 408.98	2.16	\$ 189.18	\$ 1,036,893	5,481
12762	Clarinet	\$ 362.36	2.81	\$ 128.74	\$ 918,695	7,136
15481	Bextra 20mg	\$ 222.03	1.19	\$ 185.96	\$ 562,905	3,027
17378	Actonel	\$ 149.12	1.13	\$ 131.41	\$ 378,078	2,877
18387	Zetia	\$ 3.53	0.03	\$ 137.54	\$ 8,940	65
18924	Humira	\$ -	-	N/A	\$ -	-
Total Top 50 GCNs 2002		\$ 80,722.01	369.68	\$ 218.35	\$ 204,655,308	937,262
Grand Total		\$ 170,690.71	1,372.49	\$ 124.37	\$ 432,753,862	3,479,695

Appendix C11
Pharmacy Provider Class – Mail Order
2003 Cost, Use and Price Experience by Top 50 Drugs by Payout based on 2004

GCN	Brand Name	Per 1000 Members By		Payments Per Script	Total	
		Payments	Scripts		Payments	Scripts
26533	Zocor 20mg	\$ 6,076.39	20.67	\$ 293.96	\$ 14,422,132	49,061
01698	Prevacid	\$ 6,030.33	18.20	\$ 331.32	\$ 14,312,820	43,199
42002	Celebrex	\$ 5,777.66	23.76	\$ 243.18	\$ 13,713,119	56,391
43720	Lipitor 10mg	\$ 5,177.63	36.06	\$ 143.58	\$ 12,288,960	85,589
43721	Lipitor 20mg	\$ 4,952.94	21.64	\$ 228.84	\$ 11,755,675	51,370
04348	Prilosec	\$ 4,835.74	28.00	\$ 172.68	\$ 11,477,501	66,465
12868	Nexium	\$ 4,755.52	15.70	\$ 302.98	\$ 11,287,095	37,254
96010	Plavix	\$ 4,177.64	15.83	\$ 263.97	\$ 9,915,512	37,563
26534	Zocor 40mg	\$ 3,618.87	12.38	\$ 292.42	\$ 8,589,280	29,373
93161	Vioxx	\$ 3,377.04	18.22	\$ 185.30	\$ 8,015,308	43,255
85361	Fosamax	\$ 3,182.61	22.99	\$ 138.45	\$ 7,553,838	54,559
52651	Enbrel	\$ 3,068.37	1.05	\$ 2,933.02	\$ 7,282,686	2,483
40120	Protonix	\$ 2,366.60	9.87	\$ 239.89	\$ 5,617,050	23,415
43722	Lipitor 40mg	\$ 2,120.75	9.11	\$ 232.73	\$ 5,033,546	21,628
94444	Singulair	\$ 2,005.96	10.86	\$ 184.79	\$ 4,761,083	25,765
50594	Advair diskus 250-50mcg	\$ 1,832.54	5.97	\$ 307.08	\$ 4,349,486	14,164
59011	Evista	\$ 1,798.63	11.50	\$ 156.36	\$ 4,268,997	27,303
48673	Pravachol 40mg	\$ 1,752.23	6.18	\$ 283.32	\$ 4,158,878	14,679
46594	Allegra	\$ 1,662.00	11.61	\$ 143.20	\$ 3,944,718	27,547
93011	Actos 45mg	\$ 1,661.23	4.32	\$ 384.30	\$ 3,942,879	10,260
13906	Tricor	\$ 1,589.42	8.47	\$ 187.65	\$ 3,772,437	20,104
49291	Zyrtec	\$ 1,577.09	12.97	\$ 121.55	\$ 3,743,179	30,795
93001	Actos 30mg	\$ 1,560.83	4.41	\$ 354.24	\$ 3,704,597	10,458
02683	Norvasc 5mg	\$ 1,534.20	15.81	\$ 97.03	\$ 3,641,385	37,527
94639	Aciphex	\$ 1,507.57	4.90	\$ 307.96	\$ 3,578,186	11,619
48191	Flomax	\$ 1,434.68	10.61	\$ 135.17	\$ 3,405,170	25,192
16374	Zolof 50mg	\$ 1,400.49	7.83	\$ 178.86	\$ 3,324,026	18,585
16431	Copaxone	\$ 1,382.77	0.47	\$ 2,925.10	\$ 3,281,962	1,122
02682	Norvasc 10mg	\$ 1,328.48	9.97	\$ 133.19	\$ 3,153,113	23,673
26532	Zocor 10mg	\$ 1,325.95	8.23	\$ 161.04	\$ 3,147,111	19,543
93363	Avandia 8mg	\$ 1,314.41	3.84	\$ 342.60	\$ 3,119,712	9,106
00781	Neurontin	\$ 1,206.27	4.67	\$ 258.40	\$ 2,863,058	11,080
16375	Zolof 100mg	\$ 1,176.04	6.14	\$ 191.45	\$ 2,791,287	14,580
12263	Detrol la	\$ 1,156.01	6.13	\$ 188.48	\$ 2,743,753	14,557
12762	Clarinet	\$ 1,133.90	8.29	\$ 136.78	\$ 2,691,283	19,676
62263	Flonase	\$ 1,089.99	9.27	\$ 117.63	\$ 2,587,052	21,993
93203	Avandia 4mg	\$ 1,078.51	4.69	\$ 230.03	\$ 2,559,802	11,128
48672	Pravachol 20mg	\$ 975.28	5.22	\$ 186.81	\$ 2,314,795	12,391
50604	Advair diskus 500-50mcg	\$ 961.12	2.19	\$ 438.52	\$ 2,281,199	5,202
16817	Effexor xr	\$ 937.93	3.53	\$ 265.90	\$ 2,226,144	8,372
18387	Zetia	\$ 924.31	6.68	\$ 138.47	\$ 2,193,818	15,843
15475	Bextra 10mg	\$ 903.82	4.52	\$ 199.96	\$ 2,145,191	10,728
26535	Zocor 80mg	\$ 846.85	2.94	\$ 287.92	\$ 2,009,981	6,981
50584	Advair diskus 100-50mcg	\$ 821.84	3.50	\$ 235.04	\$ 1,950,624	8,299
15481	Bextra 20mg	\$ 821.47	4.27	\$ 192.28	\$ 1,949,729	10,140
17378	Actonel	\$ 804.94	6.18	\$ 130.28	\$ 1,910,512	14,665
14851	Cozaar	\$ 798.50	7.22	\$ 110.57	\$ 1,895,228	17,140
00871	Ambien pak	\$ 726.47	4.79	\$ 151.70	\$ 1,724,262	11,366
04300	Polyonic	\$ 609.77	1.98	\$ 307.73	\$ 1,447,273	4,703
18924	Humira	\$ 482.32	0.17	\$ 2,854.79	\$ 1,144,772	401
Total Top 50 GCN 2003		\$ 103,641.92	483.80	\$ 214.22	\$ 245,991,205	1,148,292
Grand Total		\$ 207,502.16	1,596.68	\$ 129.96	\$ 492,500,567	3,789,676

Appendix C12
Pharmacy Provider Class – Mail Order
2004 Cost, Use and Price Experience by Top 50 Drugs by Payout

GCN	Brand Name	Per 1000 Members By		Payments H Script	Total	
		Payments	Scripts		Payments	Scripts
12868	Nexium	\$ 12,034.82	36.87	\$ 326.43	\$ 26,801,763	82,106
01698	Prevacid	\$ 11,964.50	34.81	\$ 343.70	\$ 26,645,163	77,525
96010	Plavix	\$ 10,560.65	36.71	\$ 287.67	\$ 23,518,763	81,757
42002	Celebrex	\$ 10,144.40	39.96	\$ 253.89	\$ 22,591,766	88,984
26533	Zocor 20mg	\$ 10,010.16	32.90	\$ 304.22	\$ 22,292,811	73,278
43721	Lipitor 20mg	\$ 9,877.10	42.02	\$ 235.07	\$ 21,996,476	93,573
43720	Lipitor 10mg	\$ 9,833.04	63.41	\$ 155.08	\$ 21,898,358	141,211
26534	Zocor 40mg	\$ 7,318.05	24.10	\$ 303.65	\$ 16,297,424	53,672
85361	Fosamax	\$ 5,439.95	36.55	\$ 148.85	\$ 12,114,870	81,391
52651	Enbrel	\$ 5,216.29	1.64	\$ 3,183.55	\$ 11,616,775	3,649
40120	Protonix	\$ 5,039.94	19.79	\$ 254.72	\$ 11,224,045	44,064
04348	Prilosec	\$ 4,868.32	31.63	\$ 153.89	\$ 10,841,831	70,450
43722	Lipitor 40mg	\$ 4,438.70	18.76	\$ 236.58	\$ 9,885,076	41,783
94444	Singulair	\$ 4,093.71	20.66	\$ 198.10	\$ 9,116,774	46,020
93161	Vioxx	\$ 4,007.34	20.31	\$ 197.27	\$ 8,924,422	45,239
50594	Advair diskus 250-50mcg	\$ 3,850.11	11.63	\$ 331.03	\$ 8,574,264	25,902
48673	Pravachol 40mg	\$ 3,684.84	12.03	\$ 306.43	\$ 8,206,195	26,780
94639	Aciphex	\$ 3,569.16	10.96	\$ 325.53	\$ 7,948,576	24,417
18387	Zetia	\$ 3,538.89	22.35	\$ 158.36	\$ 7,881,165	49,767
13906	Tricor	\$ 3,468.72	16.12	\$ 215.12	\$ 7,724,895	35,909
02682	Norvasc 10mg	\$ 3,271.61	23.22	\$ 140.91	\$ 7,285,941	51,705
02683	Norvasc 5mg	\$ 3,176.22	29.79	\$ 106.62	\$ 7,073,491	66,344
93011	Actos 45mg	\$ 3,142.61	7.59	\$ 414.29	\$ 6,998,659	16,893
93001	Actos 30mg	\$ 3,025.56	7.94	\$ 381.06	\$ 6,737,980	17,682
46594	Allegra	\$ 3,020.00	19.76	\$ 152.86	\$ 6,725,599	43,999
59011	Evista	\$ 2,759.50	16.08	\$ 171.57	\$ 6,145,465	35,818
48191	Flomax	\$ 2,589.51	18.78	\$ 137.87	\$ 5,766,877	41,829
49291	Zyrtec	\$ 2,576.50	20.10	\$ 128.17	\$ 5,737,921	44,767
16374	Zoloft 50mg	\$ 2,442.16	12.83	\$ 190.38	\$ 5,438,727	28,567
93363	Avandia 8mg	\$ 2,410.45	6.52	\$ 369.88	\$ 5,368,121	14,513
17378	Actonel	\$ 2,220.47	15.56	\$ 142.67	\$ 4,945,017	34,660
15481	Bextra 20mg	\$ 2,198.77	10.56	\$ 208.15	\$ 4,896,692	23,525
12263	Detrol la	\$ 2,183.77	10.52	\$ 207.65	\$ 4,863,287	23,421
16375	Zoloft 100mg	\$ 2,141.13	10.27	\$ 208.39	\$ 4,768,339	22,882
93203	Avandia 4mg	\$ 2,120.05	8.74	\$ 242.46	\$ 4,721,400	19,473
16431	Copaxone	\$ 2,060.62	0.62	\$ 3,327.80	\$ 4,589,033	1,379
50604	Advair diskus 500-50mcg	\$ 1,982.88	4.20	\$ 471.78	\$ 4,415,905	9,360
00781	Neurontin	\$ 1,904.97	8.21	\$ 232.02	\$ 4,242,410	18,285
12762	Clarinet	\$ 1,897.34	12.53	\$ 151.45	\$ 4,225,405	27,899
15475	Bextra 10mg	\$ 1,854.63	8.68	\$ 213.68	\$ 4,130,299	19,329
62263	Flonase	\$ 1,840.03	14.26	\$ 129.02	\$ 4,097,773	31,761
26532	Zocor 10mg	\$ 1,826.30	11.01	\$ 165.87	\$ 4,067,213	24,521
16817	Effexor xr	\$ 1,805.11	6.31	\$ 286.22	\$ 4,020,010	14,045
48672	Pravachol 20mg	\$ 1,704.87	8.35	\$ 204.15	\$ 3,796,770	18,598
18924	Humira	\$ 1,688.41	0.49	\$ 3,440.18	\$ 3,760,117	1,093
00871	Ambien pak	\$ 1,646.97	9.51	\$ 173.23	\$ 3,667,831	21,173
26535	Zocor 80mg	\$ 1,568.28	5.24	\$ 299.15	\$ 3,492,588	11,675
14851	Cozaar	\$ 1,506.45	12.17	\$ 123.81	\$ 3,354,882	27,097
04300	Polyonic	\$ 1,505.95	4.66	\$ 322.98	\$ 3,353,780	10,384
50584	Advair diskus 100-50mcg	\$ 1,500.79	5.92	\$ 253.59	\$ 3,342,281	13,180
Total of Top GCN 50 2004		\$ 198,530.60	863.64	\$ 229.88	\$ 442,131,225	1,923,334
Grand Total		\$ 391,464.23	2,849.49	\$ 137.38	\$ 871,797,886	6,345,859

Appendix C13
Pharmacy Provider Class – Retail
2002 Cost, Use and Price Experience by Top 50 Utilization based on 2004

GCN	Brand Name	Per 1000 Members By		Payment Per Script	Scripts		Payments
		Scripts	Payments				
00871	Lipitor 10mg	150.34	\$ 11,959.73	\$ 79.55	381,156	\$	30,321,627
01698	Amacodone	126.36	\$ 186.61	\$ 1.48	320,369	\$	473,111
02682	Celebrex	125.99	\$ 11,425.35	\$ 90.68	319,432	\$	28,966,795
02683	Prilosec	125.16	\$ 16,110.89	\$ 128.72	317,328	\$	40,846,112
04348	Prevacid	113.63	\$ 13,893.77	\$ 122.27	288,098	\$	35,225,018
10810	Darvocet-N 100	108.74	\$ 838.39	\$ 7.71	275,689	\$	2,125,577
11301	Zithromax	108.52	\$ 3,126.64	\$ 28.81	275,132	\$	7,927,014
12762	A-Cillin	104.80	\$ 129.41	\$ 1.23	265,692	\$	328,083
12868	Vioxx	104.51	\$ 7,226.59	\$ 69.15	264,960	\$	18,321,641
14260	Ventolin	91.34	\$ 1,260.77	\$ 13.80	231,575	\$	3,196,435
14261	Hydrocodone w/ace	91.13	\$ 571.57	\$ 6.27	231,048	\$	1,449,112
16354	Fosamax	89.58	\$ 4,524.88	\$ 50.51	227,110	\$	11,471,966
16374	Zyrtec	84.97	\$ 3,810.12	\$ 44.84	215,422	\$	9,659,844
16375	Lipitor 20mg	83.15	\$ 10,196.87	\$ 122.63	210,821	\$	25,852,222
17378	Aceta w/Codeine	77.57	\$ 295.90	\$ 3.81	196,674	\$	750,198
17851	Atenolol 50mg	70.93	\$ 337.82	\$ 4.76	179,842	\$	856,468
18387	IB Pro	68.74	\$ 234.12	\$ 3.41	174,268	\$	593,564
20110	Plavix	67.20	\$ 6,216.71	\$ 92.51	170,380	\$	15,761,281
20642	Norvasc 5 mg	65.70	\$ 3,127.31	\$ 47.60	166,575	\$	7,928,705
20661	Nexium	64.79	\$ 7,111.43	\$ 109.75	164,274	\$	18,029,682
20662	Detue	64.19	\$ 96.56	\$ 1.50	162,729	\$	244,808
20741	Sarafem	63.36	\$ 2,459.48	\$ 38.82	160,634	\$	6,235,541
26322	Zocor 20mg	62.97	\$ 9,896.22	\$ 157.15	159,660	\$	25,089,980
26323	Biocef	61.85	\$ 391.87	\$ 6.34	156,808	\$	993,507
26533	Dyazide	61.58	\$ 607.86	\$ 9.87	156,123	\$	1,541,114
34824	Zolof 50mg	61.28	\$ 4,052.09	\$ 66.12	155,372	\$	10,273,298
34962	Allegra	58.71	\$ 3,106.21	\$ 52.91	148,839	\$	7,875,215
35744	Eltroxin 100mcg	56.54	\$ 686.63	\$ 12.14	143,341	\$	1,740,813
39661	Lopressor	55.28	\$ 243.92	\$ 4.41	140,149	\$	618,417
39802	Alprazolam 0.25mg	55.09	\$ 204.20	\$ 3.71	139,675	\$	517,698
40120	Toprol XL	54.45	\$ 1,088.97	\$ 20.00	138,045	\$	2,760,875
42002	Trinessa	53.96	\$ 1,246.20	\$ 23.09	136,816	\$	3,159,511
43720	Flonase	53.70	\$ 2,461.65	\$ 45.84	136,158	\$	6,241,051
43721	Atenolol 25mg	52.59	\$ 228.14	\$ 4.34	133,321	\$	578,396
46594	Carozide	52.05	\$ 52.09	\$ 1.00	131,970	\$	132,077
47261	Glucophage	51.24	\$ 1,161.47	\$ 22.67	129,911	\$	2,944,691
47262	Prinivil	50.32	\$ 1,243.21	\$ 24.71	127,570	\$	3,151,929
48191	Singulair	49.42	\$ 4,123.50	\$ 83.45	125,284	\$	10,454,349
48793	Norvasc 10mg	47.88	\$ 3,357.50	\$ 70.12	121,396	\$	8,512,305
49291	Zolof 100mg	46.67	\$ 3,259.26	\$ 69.83	118,329	\$	8,263,228
62263	Ambien Pak	46.62	\$ 2,537.91	\$ 54.43	118,204	\$	6,434,376
70134	Protonix	46.30	\$ 3,939.90	\$ 85.09	117,392	\$	9,988,875
70331	Flomax	44.86	\$ 2,125.65	\$ 47.39	113,724	\$	5,389,193
70335	Eltroxin 50mcg	43.73	\$ 416.78	\$ 9.53	110,861	\$	1,056,678
70931	Zestril 20mg	42.41	\$ 1,187.59	\$ 28.00	107,522	\$	3,010,920
85361	Alprazolam 0.5mg	41.96	\$ 314.49	\$ 7.49	106,394	\$	797,321
88731	Clarinet	35.43	\$ 1,639.64	\$ 46.28	89,817	\$	4,156,995
93161	Actonel	6.83	\$ 336.20	\$ 49.21	17,322	\$	852,367
94444	Lexapro	3.67	\$ 181.93	\$ 49.62	9,296	\$	461,240
96010	Zetia	0.64	\$ 34.57	\$ 53.87	1,627	\$	87,640
Total Top 50 GCN 2002		3,348.76	\$ 155,266.56	\$ 46.37	8,490,134	\$	393,648,862
Grand Total		12,088.12	\$ 589,886.48	\$ 48.80	30,647,126	\$	1,495,545,095

Appendix C 14
Pharmacy Provider Class – Retail
2003 Cost, Use and Price Experience by Top 50 Utilization based on 2004

GCN	Brand Name	Per 1000 Members by		Payment Per Script	Total	
		Scripts	Payments		Scripts	Payments
43720	Lipitor 10mg	150.22	\$ 12,622.99	\$ 84.03	356,553	\$ 29,960,322
70331	Amacodone	136.89	\$ 263.28	\$ 1.92	324,900	\$ 624,893
01698	Prevacid	126.83	\$ 16,310.22	\$ 128.60	301,035	\$ 38,711,852
48793	Zithromax	115.04	\$ 3,344.13	\$ 29.07	273,039	\$ 7,937,203
42002	Celebrex	114.27	\$ 10,596.93	\$ 92.74	271,206	\$ 25,151,511
39661	A-Cillin	112.56	\$ 146.90	\$ 1.31	267,160	\$ 348,673
70931	Darvocet-N 100	109.60	\$ 888.07	\$ 8.10	260,123	\$ 2,107,805
04348	Prilosec	105.34	\$ 12,185.25	\$ 115.67	250,028	\$ 28,921,353
93161	Vioxx	104.58	\$ 7,507.13	\$ 71.78	248,222	\$ 17,817,957
70335	w/ace	104.46	\$ 680.11	\$ 6.51	247,926	\$ 1,614,211
85361	Fosamax	101.88	\$ 5,368.40	\$ 52.69	241,820	\$ 12,741,758
12868	Nexium	96.86	\$ 11,370.41	\$ 117.39	229,893	\$ 26,987,354
20110	Ventolin	95.78	\$ 1,106.26	\$ 11.55	227,328	\$ 2,625,667
49291	Zyrtec	93.00	\$ 4,212.00	\$ 45.29	220,739	\$ 9,997,060
96010	Plavix	91.20	\$ 8,933.00	\$ 97.95	216,454	\$ 21,202,229
43721	Lipitor 20mg	88.15	\$ 11,644.64	\$ 132.10	209,226	\$ 27,638,224
46594	Allegra	81.57	\$ 4,526.06	\$ 55.49	193,599	\$ 10,742,480
70134	Aceta w/Codeine	73.90	\$ 296.30	\$ 4.01	175,393	\$ 703,251
20661	Atenolol 50mg	71.75	\$ 783.17	\$ 10.92	170,297	\$ 1,858,825
35744	IB Pro	70.73	\$ 242.15	\$ 3.42	167,880	\$ 574,733
34962	Detue	66.56	\$ 176.63	\$ 2.65	157,967	\$ 419,233
02683	Norvasc 5 mg	66.36	\$ 3,306.22	\$ 49.82	157,509	\$ 7,847,215
40120	Protonix	66.14	\$ 6,127.58	\$ 92.64	156,988	\$ 14,543,629
39802	Biocef	65.96	\$ 532.22	\$ 8.07	156,558	\$ 1,263,216
16374	Zoloft 50mg	65.53	\$ 4,493.45	\$ 68.57	155,527	\$ 10,665,079
26533	Zocor 20mg	65.16	\$ 10,853.73	\$ 166.57	154,659	\$ 25,761,019
88731	Dyazide	65.15	\$ 629.30	\$ 9.66	154,635	\$ 1,493,623
34824	Carozide	63.95	\$ 59.05	\$ 0.92	151,780	\$ 140,147
94444	Singulair	62.38	\$ 5,434.72	\$ 87.12	148,061	\$ 12,899,159
16354	Sarafem	61.67	\$ 1,561.07	\$ 25.31	146,377	\$ 3,705,160
20741	Toprol Xl	61.64	\$ 1,333.84	\$ 21.64	146,305	\$ 3,165,829
20642	Lopressor	60.54	\$ 252.42	\$ 4.17	143,690	\$ 599,103
12762	Clarinet	58.72	\$ 3,131.46	\$ 53.33	139,369	\$ 7,432,438
62263	Flonase	58.14	\$ 2,766.63	\$ 47.58	138,003	\$ 6,566,514
10810	Glucophage	57.03	\$ 842.44	\$ 14.77	135,364	\$ 1,999,513
26323	Eltroxin 100mcg	56.81	\$ 775.38	\$ 13.65	134,842	\$ 1,840,340
00871	Ambien Pak	56.45	\$ 3,369.34	\$ 59.69	133,982	\$ 7,997,025
14260	0.25mg	56.35	\$ 468.60	\$ 8.32	133,737	\$ 1,112,219
47261	Prinivil	54.17	\$ 476.78	\$ 8.80	128,576	\$ 1,131,612
20662	Atenolol 25mg	53.22	\$ 568.77	\$ 10.69	126,320	\$ 1,349,962
11301	Trinessa	53.10	\$ 1,357.07	\$ 25.56	126,029	\$ 3,220,970
48191	Flomax	52.15	\$ 2,665.29	\$ 51.11	123,781	\$ 6,325,987
02682	Norvasc 10mg	51.64	\$ 3,573.08	\$ 69.19	122,561	\$ 8,480,596
16375	Zoloft 100mg	50.95	\$ 3,716.80	\$ 72.94	120,937	\$ 8,821,730
47262	Zestril 20mg	46.81	\$ 922.15	\$ 19.70	111,114	\$ 2,188,686
26322	Eltroxin 50mcg	46.77	\$ 500.62	\$ 10.70	110,999	\$ 1,188,212
14261	Alprazolam 0.5mg	45.29	\$ 717.89	\$ 15.85	107,488	\$ 1,703,889
17851	Lexapro	38.68	\$ 1,988.64	\$ 51.41	91,813	\$ 4,719,980
18387	Zetia	34.61	\$ 1,867.67	\$ 53.96	82,153	\$ 4,432,857
17378	Actonel	34.02	\$ 1,707.20	\$ 50.18	80,757	\$ 4,052,003
Tota; Top 50 GCN 2003		3,720.58	\$ 179,203.42	\$ 48.17	8,830,702	\$ 425,334,309
Grand Total		12,604.85	\$ 657,931.48	\$ 52.20	29,917,262	\$ 1,561,581,943

Appendix C15
Pharmacy Provider Class – Retail
2004 Cost, Use and Price Experience by Top 50 Utilization

GCN	Brand Name	Per 1000 Members by		Payment Per	Total	
		Scripts	Payments		Scripts	Payments
00871	Ambien Pak	139.81	\$ 263.96	\$ 1.89	311,362	\$ 587,842
01698	Prevacid	133.38	\$ 11,964.94	\$ 89.70	297,045	\$ 26,646,134
02682	Norvasc 10mg	116.28	\$ 15,596.36	\$ 134.12	258,966	\$ 34,733,374
02683	Norvasc 5 mg	111.47	\$ 699.43	\$ 6.27	248,237	\$ 1,557,652
04348	Prilosec	108.19	\$ 144.63	\$ 1.34	240,949	\$ 322,100
10810	Glucophage	106.56	\$ 3,243.18	\$ 30.44	237,311	\$ 7,222,625
11301	Trinessa	106.53	\$ 10,149.75	\$ 95.27	237,253	\$ 22,603,683
12762	Clarinet	103.06	\$ 13,146.57	\$ 127.57	229,507	\$ 29,277,645
12868	Nexium	102.86	\$ 769.83	\$ 7.48	229,073	\$ 1,714,426
14260	Alprazolam 0.25mg	96.46	\$ 10,152.41	\$ 105.25	214,819	\$ 22,609,591
14261	Alprazolam 0.5mg	95.37	\$ 5,360.26	\$ 56.20	212,400	\$ 11,937,404
16354	Sarafem	94.28	\$ 1,045.29	\$ 11.09	209,959	\$ 2,327,871
16374	Zoloft 50mg	85.39	\$ 4,019.69	\$ 47.07	190,172	\$ 8,951,914
16375	Zoloft 100mg	83.80	\$ 11,373.74	\$ 135.73	186,615	\$ 25,329,532
17378	Actonel	82.25	\$ 4,834.98	\$ 58.79	183,162	\$ 10,767,598
17851	Lexapro	82.05	\$ 8,040.36	\$ 97.99	182,730	\$ 17,906,035
18387	Zetia	70.06	\$ 5,253.95	\$ 74.99	156,021	\$ 11,700,631
20110	Ventolin	69.14	\$ 219.13	\$ 3.17	153,980	\$ 488,002
20642	Lopressor	67.70	\$ 257.77	\$ 3.81	150,763	\$ 574,049
20661	Atenolol 50mg	66.71	\$ 71.13	\$ 1.07	148,566	\$ 158,402
20662	Atenolol 25mg	66.26	\$ 434.94	\$ 6.56	147,555	\$ 968,611
20741	Toprol XL	66.23	\$ 6,029.29	\$ 91.04	147,492	\$ 13,427,332
26322	Eltroxin 50mcg	65.56	\$ 6,322.70	\$ 96.45	145,993	\$ 14,080,760
26323	Eltroxin 100mcg	64.56	\$ 510.21	\$ 7.90	143,770	\$ 1,136,236
26533	Zocor 20mg	62.28	\$ 4,095.16	\$ 65.75	138,707	\$ 9,119,985
34824	Carozide	61.74	\$ 4,473.92	\$ 72.47	137,490	\$ 9,963,511
34962	Detue	60.27	\$ 550.65	\$ 9.14	134,229	\$ 1,226,299
35744	IB Pro	59.08	\$ 1,354.64	\$ 22.93	131,562	\$ 3,016,817
39661	A-Cillin	58.95	\$ 153.30	\$ 2.60	131,276	\$ 341,406
39802	Biocef	58.59	\$ 3,061.10	\$ 52.24	130,491	\$ 6,817,128
40120	Protonix	57.72	\$ 3,015.76	\$ 52.25	128,541	\$ 6,716,155
42002	Celebrex	57.16	\$ 760.40	\$ 13.30	127,288	\$ 1,693,431
43720	Lipitor 10mg	55.88	\$ 3,314.12	\$ 59.31	124,442	\$ 7,380,604
43721	Lipitor 20mg	55.76	\$ 1,298.43	\$ 23.29	124,178	\$ 2,891,619
46594	Allegra	55.30	\$ 2,828.28	\$ 51.14	123,155	\$ 6,298,635
47261	Prinivil	54.33	\$ 270.34	\$ 4.98	120,990	\$ 602,057
47262	Zestril 20mg	53.01	\$ 628.11	\$ 11.85	118,059	\$ 1,398,816
48191	Flomax	52.72	\$ 399.17	\$ 7.57	117,401	\$ 888,958
48793	Zithromax	52.52	\$ 194.59	\$ 3.70	116,973	\$ 433,348
49291	Zyrtec	51.48	\$ 9,044.71	\$ 175.71	114,637	\$ 20,142,724
62263	Flonase	50.15	\$ 3,893.45	\$ 77.63	111,688	\$ 8,670,782
70134	Aceta w/Codeine	48.22	\$ 2,448.66	\$ 50.78	107,383	\$ 5,453,203
70331	Amacodone	48.06	\$ 2,592.79	\$ 53.95	107,026	\$ 5,774,184
70335	Hydrocodone w/ace	47.89	\$ 534.64	\$ 11.16	106,642	\$ 1,190,656
70931	Darvocet-N 100	46.79	\$ 3,321.41	\$ 70.99	104,199	\$ 7,396,831
85361	Fosamax	45.86	\$ 2,700.14	\$ 58.88	102,130	\$ 6,013,268
88731	Dyazide	45.28	\$ 401.61	\$ 8.87	100,831	\$ 894,403
93161	Vioxx	44.49	\$ 673.40	\$ 15.14	99,078	\$ 1,499,664
94444	Singulair	44.08	\$ 809.49	\$ 18.37	98,156	\$ 1,802,740
96010	Plavix	44.06	\$ 1,287.16	\$ 29.21	98,128	\$ 2,866,540
Total Top 50 GCN 2004		3,555.60	\$ 174,009.92	\$ 48.94	7,918,380	\$ 387,523,215
Grand Total		12,009.27	\$ 672,087.28	\$ 55.96	26,744,851	\$ 1,496,750,461

Appendix C16
Pharmacy Provider Class – Mail Order
2002 Cost, Use and Price Experience by Top 50 Utilization by Payout based on 2004

GCN	Brand Name	Per 1000 Members by		Payment Per Script	Total	
		Scripts	Payments		Scripts	Payments
43720	Lipitor 10mg	31.29	\$ 4,452.20	\$ 142.29	79,329	\$ 11,287,704
04348	Prilosec	28.59	\$ 9,448.43	\$ 330.49	72,483	\$ 23,954,704
42002	Celebrex	22.33	\$ 5,382.61	\$ 241.05	56,614	\$ 13,646,583
26533	Zocor 20mg	17.76	\$ 5,099.44	\$ 287.08	45,035	\$ 12,928,654
43721	Lipitor 20mg	17.56	\$ 3,896.74	\$ 221.96	44,510	\$ 9,879,456
85361	Fosamax	17.33	\$ 2,357.07	\$ 136.00	43,941	\$ 5,975,909
10942	Sodestrin h	17.09	\$ 741.12	\$ 43.35	43,340	\$ 1,878,977
93161	Vioxx	15.94	\$ 2,906.78	\$ 182.38	40,408	\$ 7,369,578
02683	Norvasc	13.50	\$ 1,296.39	\$ 96.02	34,229	\$ 3,286,757
01698	Prevacid	12.91	\$ 4,130.29	\$ 319.96	32,728	\$ 10,471,570
20661	Tenormin 50mg	12.49	\$ 323.68	\$ 25.92	31,656	\$ 820,621
34962	Lasix 40mg	11.68	\$ 61.36	\$ 5.25	29,623	\$ 155,579
26323	Synthroid	11.32	\$ 179.43	\$ 15.85	28,694	\$ 454,922
49291	Zyrtec	10.31	\$ 1,276.64	\$ 123.82	26,140	\$ 3,236,684
20741	Toprol xl50mg	10.26	\$ 402.03	\$ 39.18	26,013	\$ 1,019,276
96010	Plavix	10.13	\$ 2,552.09	\$ 251.82	25,694	\$ 6,470,332
34824	Hydrodiuril	9.84	\$ 6.06	\$ 0.62	24,951	\$ 15,353
59011	Evista	9.66	\$ 1,415.75	\$ 146.61	24,483	\$ 3,589,358
26534	Zocor 40mg	9.50	\$ 2,714.91	\$ 285.84	24,080	\$ 6,883,136
88731	Dyazide 37.5-	9.35	\$ 88.08	\$ 9.42	23,698	\$ 223,311
20662	Tenormin 25mg	8.53	\$ 205.67	\$ 24.13	21,614	\$ 521,438
10810	Parathyroid	8.38	\$ 555.33	\$ 66.27	21,245	\$ 1,407,928
12868	Nexium	8.37	\$ 2,391.65	\$ 285.84	21,213	\$ 6,063,563
20642	Lopressor	8.17	\$ 178.29	\$ 21.83	20,709	\$ 452,031
47261	Zestril 10mg	8.12	\$ 428.45	\$ 52.79	20,576	\$ 1,086,246
02682	Norvasc	8.07	\$ 1,121.52	\$ 138.90	20,471	\$ 2,843,411
94444	Singulair	8.00	\$ 1,449.14	\$ 181.24	20,272	\$ 3,674,010
48191	Flomax	7.89	\$ 1,002.25	\$ 127.00	20,008	\$ 2,541,026
10200	Zantac	7.87	\$ 760.34	\$ 96.58	19,959	\$ 1,927,708
62263	Flonase	7.66	\$ 881.12	\$ 115.00	19,425	\$ 2,233,918
26322	Synthroid	7.65	\$ 99.81	\$ 13.05	19,391	\$ 253,041
03513	K-dur20meq	7.46	\$ 187.42	\$ 25.12	18,918	\$ 475,158
47262	Zestril 20mg	7.44	\$ 470.73	\$ 63.30	18,855	\$ 1,193,454
43722	Lipitor 40mg	7.08	\$ 1,744.07	\$ 246.50	17,938	\$ 4,421,762
20110	Ventolin	6.95	\$ 228.04	\$ 32.80	17,627	\$ 578,140
46594	Allegra	6.83	\$ 962.91	\$ 140.89	17,328	\$ 2,441,285
16374	Zoloft	6.65	\$ 1,160.99	\$ 174.51	16,867	\$ 2,943,469
34961	Lasix 20mg	6.43	\$ 20.48	\$ 3.18	16,314	\$ 51,920
00132	Lanoxin	6.30	\$ 21.48	\$ 3.41	15,974	\$ 54,470
14851	Cozaar	6.28	\$ 695.79	\$ 110.72	15,932	\$ 1,764,039
25793	Coumadin 5mg	6.14	\$ 153.73	\$ 25.03	15,572	\$ 389,754
26324	Synthroid	6.11	\$ 90.05	\$ 14.73	15,497	\$ 228,308
40120	Protonix	6.04	\$ 1,350.97	\$ 223.75	15,308	\$ 3,425,116
20742	Toprol xl	5.81	\$ 386.10	\$ 66.41	14,741	\$ 978,882
13906	Tricor	5.45	\$ 903.47	\$ 165.77	13,818	\$ 2,290,589
48104	Imdur MS	5.11	\$ 204.96	\$ 40.13	12,948	\$ 519,639
48673	Pravachol 40mg	4.49	\$ 1,278.91	\$ 285.05	11,375	\$ 3,242,423
12762	Clarinet	2.81	\$ 362.36	\$ 128.74	7,136	\$ 918,695
17378	Actonel	1.13	\$ 149.12	\$ 131.41	2,877	\$ 378,078
18387	Zetia	0.03	\$ 3.53	\$ 137.54	65	\$ 8,940
Total Top 50 GCNs 2002		492.10	\$ 68,179.79	\$ 138.55	1,247,622	\$ 172,856,904
Grand Total		1,372.49	\$ 170,690.71	\$ 124.37	3,479,695	\$ 432,753,862

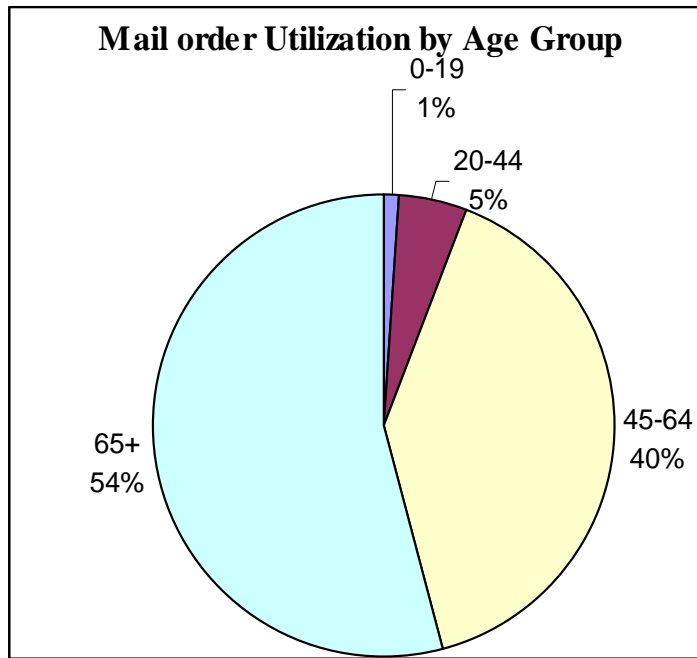
Appendix C17
Pharmacy Provider Class – Mail Order
2003 Cost, Use and Price Experience by Top 50 Utilization based on 2004

GCN	Brand Name	Per 1000 Members by		Payment Per	Total	
		Scripts	Payments		Scripts	Payments
43720	Lipitor 10mg	36.06	\$ 5,177.63	\$ 143.58	85,589	\$ 12,288,960
04348	Prilosec	28.00	\$ 4,835.74	\$ 172.68	66,465	\$ 11,477,501
42002	Celebrex	23.76	\$ 5,777.66	\$ 243.18	56,391	\$ 13,713,119
85361	Fosamax	22.99	\$ 3,182.61	\$ 138.45	54,559	\$ 7,553,838
43721	Lipitor 20mg	21.64	\$ 4,952.94	\$ 228.84	51,370	\$ 11,755,675
26533	Zocor 20mg	20.67	\$ 6,076.39	\$ 293.96	49,061	\$ 14,422,132
93161	Vioxx	18.22	\$ 3,377.04	\$ 185.30	43,255	\$ 8,015,308
01698	Prevacid	18.20	\$ 6,030.33	\$ 331.32	43,199	\$ 14,312,820
96010	Plavix	15.83	\$ 4,177.64	\$ 263.97	37,563	\$ 9,915,512
02683	Norvasc	15.81	\$ 1,534.20	\$ 97.03	37,527	\$ 3,641,385
12868	Nexium	15.70	\$ 4,755.52	\$ 302.98	37,254	\$ 11,287,095
20661	Tenormin 50mg	14.09	\$ 372.71	\$ 26.44	33,452	\$ 884,627
34962	Lasix 40mg	13.46	\$ 54.86	\$ 4.08	31,943	\$ 130,213
20741	Toprol xl50mg	13.44	\$ 545.11	\$ 40.57	31,893	\$ 1,293,812
49291	Zyrtec	12.97	\$ 1,577.09	\$ 121.55	30,795	\$ 3,743,179
34824	Hydrodiuril 25mg	12.91	\$ 4.01	\$ 0.31	30,634	\$ 9,514
26323	Synthroid 100mcg	12.84	\$ 203.59	\$ 15.85	30,487	\$ 483,208
26534	Zocor 40mg	12.38	\$ 3,618.87	\$ 292.42	29,373	\$ 8,589,280
10942	Sodestrin h tablets	11.71	\$ 576.07	\$ 49.18	27,802	\$ 1,367,275
46594	Allegra	11.61	\$ 1,662.00	\$ 143.20	27,547	\$ 3,944,718
59011	Evista	11.50	\$ 1,798.63	\$ 156.36	27,303	\$ 4,268,997
94444	Singulair	10.86	\$ 2,005.96	\$ 184.79	25,765	\$ 4,761,083
88731	Dyazide 37.5-25mg	10.74	\$ 77.75	\$ 7.24	25,483	\$ 184,533
48191	Flomax	10.61	\$ 1,434.68	\$ 135.17	25,192	\$ 3,405,170
02682	Norvasc	9.97	\$ 1,328.48	\$ 133.19	23,673	\$ 3,153,113
10810	Parathyroid ampoule	9.94	\$ 550.63	\$ 55.41	23,586	\$ 1,306,899
20662	Tenormin 25mg	9.91	\$ 247.11	\$ 24.92	23,532	\$ 586,505
40120	Protonix	9.87	\$ 2,366.60	\$ 239.89	23,415	\$ 5,617,050
20642	Lopressor	9.73	\$ 190.33	\$ 19.56	23,095	\$ 451,753
47261	Zestril 10mg	9.54	\$ 289.51	\$ 30.36	22,636	\$ 687,138
26322	Synthroid 50mcg	9.45	\$ 121.20	\$ 12.82	22,436	\$ 287,659
62263	Flonase	9.27	\$ 1,089.99	\$ 117.63	21,993	\$ 2,587,052
47262	Zestril 20mg	9.16	\$ 336.30	\$ 36.73	21,732	\$ 798,205
43722	Lipitor 40mg	9.11	\$ 2,120.75	\$ 232.73	21,628	\$ 5,033,546
03513	K-dur20meq	8.72	\$ 198.27	\$ 22.75	20,685	\$ 470,582
13906	Tricor	8.47	\$ 1,589.42	\$ 187.65	20,104	\$ 3,772,437
12762	Clarinet	8.29	\$ 1,133.90	\$ 136.78	19,676	\$ 2,691,283
10200	Zantac	7.89	\$ 724.17	\$ 91.80	18,723	\$ 1,718,792
20742	Toprol xl 100mg	7.83	\$ 537.11	\$ 68.56	18,595	\$ 1,274,815
16374	Zolof	7.83	\$ 1,400.49	\$ 178.86	18,585	\$ 3,324,026
34961	Lasix 20mg	7.68	\$ 17.36	\$ 2.26	18,228	\$ 41,199
20110	Ventolin	7.67	\$ 227.50	\$ 29.67	18,201	\$ 539,955
26324	Synthroid 75mcg	7.58	\$ 113.75	\$ 15.00	17,998	\$ 269,978
25793	Coumadin 5mg	7.46	\$ 168.69	\$ 22.61	17,709	\$ 400,383
14851	Cozaar	7.22	\$ 798.50	\$ 110.57	17,140	\$ 1,895,228
00132	Lanoxin 0.125mg	6.75	\$ 17.24	\$ 2.56	16,010	\$ 40,913
18387	Zetia	6.68	\$ 924.31	\$ 138.47	15,843	\$ 2,193,818
48673	Pravachol 40mg	6.18	\$ 1,752.23	\$ 283.32	14,679	\$ 4,158,878
17378	Actonel	6.18	\$ 804.94	\$ 130.28	14,665	\$ 1,910,512
48104	Imdur MS	5.94	\$ 222.95	\$ 37.52	14,103	\$ 529,162
Total Top 50 GCNs 2003		610.32	\$ 83,080.75	\$ 136.13	1,448,572	\$ 197,189,835
Grand Total		1,596.68	\$ 207,502.16	\$ 129.96	3,789,676	\$ 492,500,567

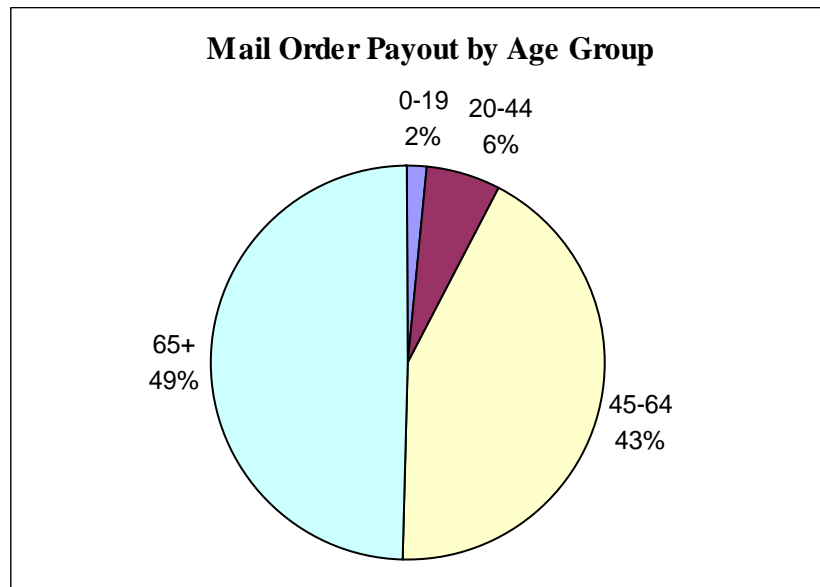
Appendix C18
Pharmacy Provider Class – Mail Order
2004 Cost, Use and Price Experience by Top 50 Utilization

GCN	Brand Name	Per 1000 Members by		Payment Per	Total	
		Scripts	Payments		Scripts	Payments
43720	Lipitor 10mg	63.41	\$ 9,833.04	\$ 155.08	141,211	\$ 21,898,358
43721	Lipitor 20mg	42.02	\$ 9,877.10	\$ 235.07	93,573	\$ 21,996,476
42002	Celebrex	39.96	\$ 10,144.40	\$ 253.89	88,984	\$ 22,591,766
12868	Nexium	36.87	\$ 12,034.82	\$ 326.43	82,106	\$ 26,801,763
96010	Plavix	36.71	\$ 10,560.65	\$ 287.67	81,757	\$ 23,518,763
85361	Fosamax	36.55	\$ 5,439.95	\$ 148.85	81,391	\$ 12,114,870
01698	Prevacid	34.81	\$ 11,964.50	\$ 343.70	77,525	\$ 26,645,163
26533	Zocor 20mg	32.90	\$ 10,010.16	\$ 304.22	73,278	\$ 22,292,811
04348	Prilosec	31.63	\$ 4,868.32	\$ 153.89	70,450	\$ 10,841,831
02683	Norvasc	29.79	\$ 3,176.22	\$ 106.62	66,344	\$ 7,073,491
34962	Lasix 40mg	27.92	\$ 107.87	\$ 3.86	62,188	\$ 240,232
20741	Toprol xl50mg	27.56	\$ 1,326.73	\$ 48.14	61,377	\$ 2,954,660
34824	Hydrodiuril 25mg	27.21	\$ 8.94	\$ 0.33	60,588	\$ 19,913
20661	Tenormin 50mg	25.30	\$ 679.42	\$ 26.85	56,343	\$ 1,513,078
26534	Zocor 40mg	24.10	\$ 7,318.05	\$ 303.65	53,672	\$ 16,297,424
02682	Norvasc	23.22	\$ 3,271.61	\$ 140.91	51,705	\$ 7,285,941
18387	Zetia	22.35	\$ 3,538.89	\$ 158.36	49,767	\$ 7,881,165
26323	Synthroid 100mcg	21.86	\$ 266.80	\$ 12.21	48,673	\$ 594,177
94444	Singulair	20.66	\$ 4,093.71	\$ 198.10	46,020	\$ 9,116,774
93161	Vioxx	20.31	\$ 4,007.34	\$ 197.27	45,239	\$ 8,924,422
20642	Lopressor	20.26	\$ 429.05	\$ 21.18	45,116	\$ 955,508
49291	Zyrtec	20.10	\$ 2,576.50	\$ 128.17	44,767	\$ 5,737,921
40120	Protonix	19.79	\$ 5,039.94	\$ 254.72	44,064	\$ 11,224,045
46594	Allegra	19.76	\$ 3,020.00	\$ 152.86	43,999	\$ 6,725,599
10810	Parathyroid ampoule	19.42	\$ 1,029.39	\$ 53.01	43,244	\$ 2,292,468
88731	Dyazide 37.5-25mg	19.01	\$ 140.92	\$ 7.41	42,334	\$ 313,825
48191	Flomax	18.78	\$ 2,589.51	\$ 137.87	41,829	\$ 5,766,877
43722	Lipitor 40mg	18.76	\$ 4,438.70	\$ 236.58	41,783	\$ 9,885,076
47261	Zestril 10mg	17.82	\$ 537.93	\$ 30.18	39,695	\$ 1,197,982
03513	K-dur20meq	17.81	\$ 379.89	\$ 21.33	39,654	\$ 846,013
20662	Tenormin 25mg	17.80	\$ 456.45	\$ 25.64	39,639	\$ 1,016,523
47262	Zestril 20mg	17.72	\$ 652.81	\$ 36.84	39,458	\$ 1,453,824
26322	Synthroid 50mcg	17.45	\$ 173.59	\$ 9.95	38,870	\$ 386,586
20742	Toprol xl 100mg	16.59	\$ 1,303.28	\$ 78.57	36,941	\$ 2,902,427
13906	Tricor	16.12	\$ 3,468.72	\$ 215.12	35,909	\$ 7,724,895
59011	Evista	16.08	\$ 2,759.50	\$ 171.57	35,818	\$ 6,145,465
34961	Lasix 20mg	15.92	\$ 36.93	\$ 2.32	35,451	\$ 82,246
17378	Actonel	15.56	\$ 2,220.47	\$ 142.67	34,660	\$ 4,945,017
20110	Ventolin	14.47	\$ 442.00	\$ 30.54	32,228	\$ 984,347
62263	Flonase	14.26	\$ 1,840.03	\$ 129.02	31,761	\$ 4,097,773
26324	Synthroid 75mcg	14.16	\$ 166.40	\$ 11.75	31,528	\$ 370,575
10942	Sodestrin h tablets	13.55	\$ 812.68	\$ 59.99	30,169	\$ 1,809,843
25793	Coumadin 5mg	13.21	\$ 329.97	\$ 24.97	29,427	\$ 734,859
16374	Zoloft	12.83	\$ 2,442.16	\$ 190.38	28,567	\$ 5,438,727
00132	Lanoxin 0.125mg	12.53	\$ 39.97	\$ 3.19	27,906	\$ 89,017
12762	Clarinox	12.53	\$ 1,897.34	\$ 151.45	27,899	\$ 4,225,405
14851	Cozaar	12.17	\$ 1,506.45	\$ 123.81	27,097	\$ 3,354,882
48673	Pravachol 40mg	12.03	\$ 3,684.84	\$ 306.43	26,780	\$ 8,206,195
10200	Zantac	11.96	\$ 1,044.51	\$ 87.31	26,643	\$ 2,326,143
48104	Imdur MS	11.76	\$ 427.56	\$ 36.35	26,192	\$ 952,178
Total Top 50 GCNs 2004		1,105.34	\$ 158,416.02	\$ 143.32	2,461,619	\$ 352,795,318
Grand Total		2,849.49	\$ 391,464.23	\$ 137.38	6,345,859	\$ 871,797,886

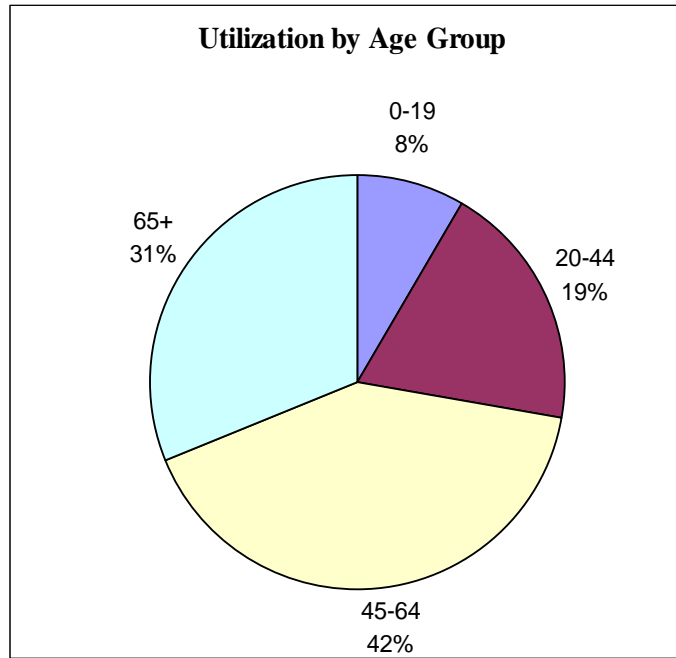
Appendix C19
Pharmacy Provider Class – Mail Order
2004 Utilization by Age Groups



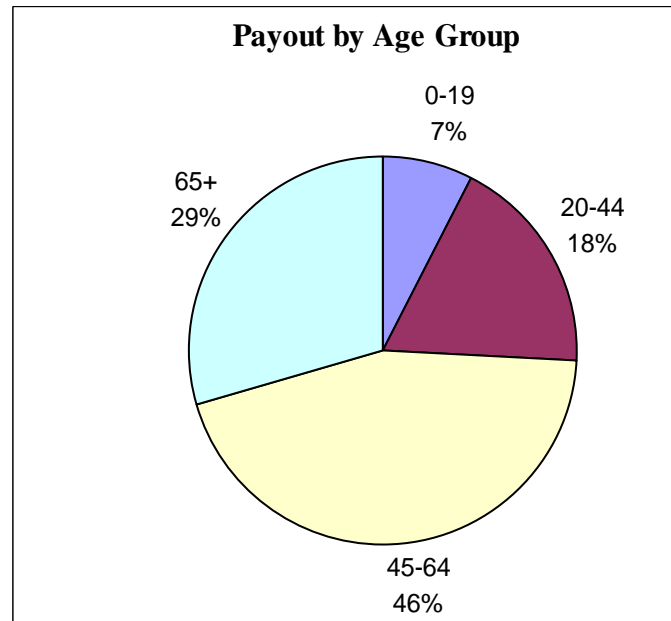
Appendix C20
Pharmacy Provider Class – Mail Order
2004 Payout by Age Groups



Appendix C21
Pharmacy Provider Class – Retail
2004 Utilization by Age Groups

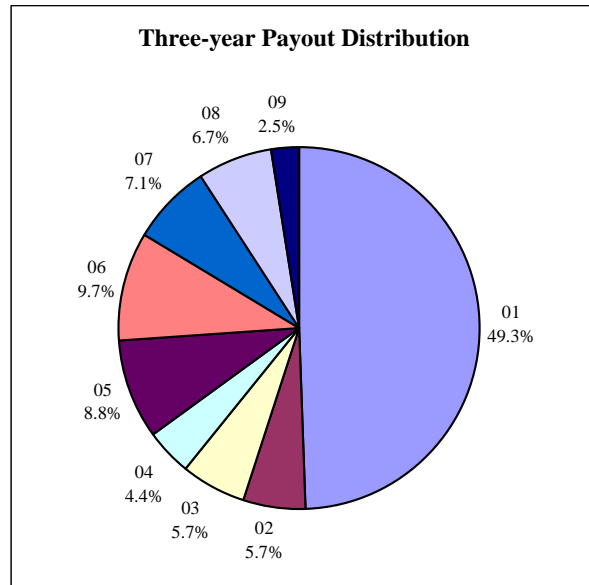
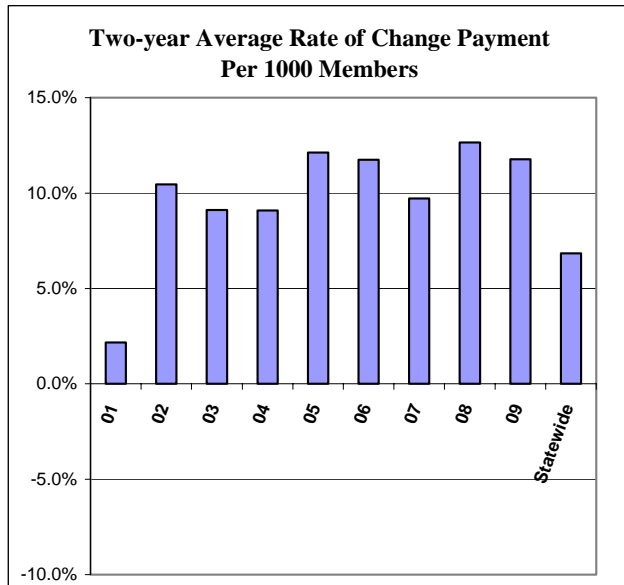


Appendix C22
Pharmacy Provider Class – Retail
2004 Payout by Age Groups



Appendix C23
Pharmacy Provider Class – Retail
Summary of Cost, Use and Price Performance by Region 2002-2004

Region	Two-year average rate of change			Three-year Payout	% of Total Payout
	Payments Per 1000 Members	Scripts Per 1000 Members	Payment Per Script		
01	2.2%	-3.8%	6.1%	\$2,245,641,888	49.3%
02	10.5%	0.8%	9.6%	\$259,185,523	5.7%
03	9.1%	0.6%	8.4%	\$261,533,162	5.7%
04	9.1%	1.6%	7.3%	\$199,701,755	4.4%
05	12.1%	3.2%	8.6%	\$402,227,695	8.8%
06	11.7%	2.9%	8.6%	\$439,755,282	9.7%
07	9.7%	2.4%	7.2%	\$322,767,895	7.1%
08	12.7%	4.9%	7.4%	\$307,191,897	6.7%
09	11.8%	5.8%	5.7%	\$115,872,401	2.5%
Statewide	6.8%	-0.2%	7.1%	\$4,553,877,500	100.0%



Appendix C24
Pharmacy Provider Class – Retail
Cost, Use, and Price Performance by Region 2002-2004

Year	Region	Payments	Services	Members	Per 1000 Members			Percent change of		
					Payment	Services	Pyt/Svc	Pymts/1000	Svcs/1000	Pyt/Svc
2004	1	\$721,811,840	13,218,881	1,031,100	\$700,041	12,820	\$54.60	-5.3%	-10.3%	5.5%
2004	2	\$87,813,838	1,378,084	116,701	\$752,466	11,809	\$63.72	6.2%	-4.3%	11.0%
2004	3	\$88,313,376	1,533,021	136,022	\$649,259	11,270	\$57.61	6.2%	-1.4%	7.7%
2004	4	\$65,529,996	1,124,330	101,720	\$644,219	11,053	\$58.28	11.7%	2.4%	9.1%
2004	5	\$141,646,156	2,498,427	220,169	\$643,353	11,348	\$56.69	13.5%	2.7%	10.5%
2004	6	\$145,733,636	2,580,288	239,147	\$609,388	10,790	\$56.48	9.2%	0.5%	8.7%
2004	7	\$109,340,236	2,002,383	175,255	\$623,893	11,426	\$54.61	7.1%	-1.0%	8.2%
2004	8	\$98,930,547	1,701,570	139,108	\$711,178	12,232	\$58.14	11.9%	3.7%	7.8%
2004	9	\$37,630,836	707,868	67,797	\$555,055	10,441	\$53.16	10.2%	5.1%	4.9%
Total		\$1,496,750,461	26,744,851	2,227,018	\$672,087	12,009	\$55.96	2.2%	-4.7%	7.2%

Year	Region	Payments	Services	Members	Per 1000 Members			Percent change of		
					Payment	Services	Pyt/Svc	Pymts/1000	Svcs/1000	Pyt/Svc
2003	1	\$789,768,171	15,263,148	1,067,822	\$739,607	14,294	\$51.74	9.7%	2.8%	6.7%
2003	2	\$85,929,895	1,496,801	121,255	\$708,673	12,344	\$57.41	14.7%	6.0%	8.3%
2003	3	\$89,194,465	1,667,153	145,915	\$611,276	11,425	\$53.50	12.0%	2.6%	9.1%
2003	4	\$66,476,085	1,244,546	115,267	\$576,712	10,797	\$53.41	6.5%	0.8%	5.6%
2003	5	\$131,990,425	2,572,502	232,755	\$567,079	11,052	\$51.31	10.8%	3.8%	6.7%
2003	6	\$147,086,802	2,830,907	263,677	\$557,829	10,736	\$51.96	14.2%	5.3%	8.5%
2003	7	\$108,481,244	2,150,264	186,257	\$582,427	11,545	\$50.45	12.3%	5.9%	6.1%
2003	8	\$103,488,947	1,919,316	162,772	\$635,790	11,791	\$53.92	13.4%	6.1%	6.9%
2003	9	\$39,165,909	772,625	77,751	\$503,738	9,937	\$50.69	13.4%	6.5%	6.5%
Total		\$1,561,581,943	29,917,262	2,373,472	\$657,932	12,605	\$52.20	11.5%	4.3%	7.0%

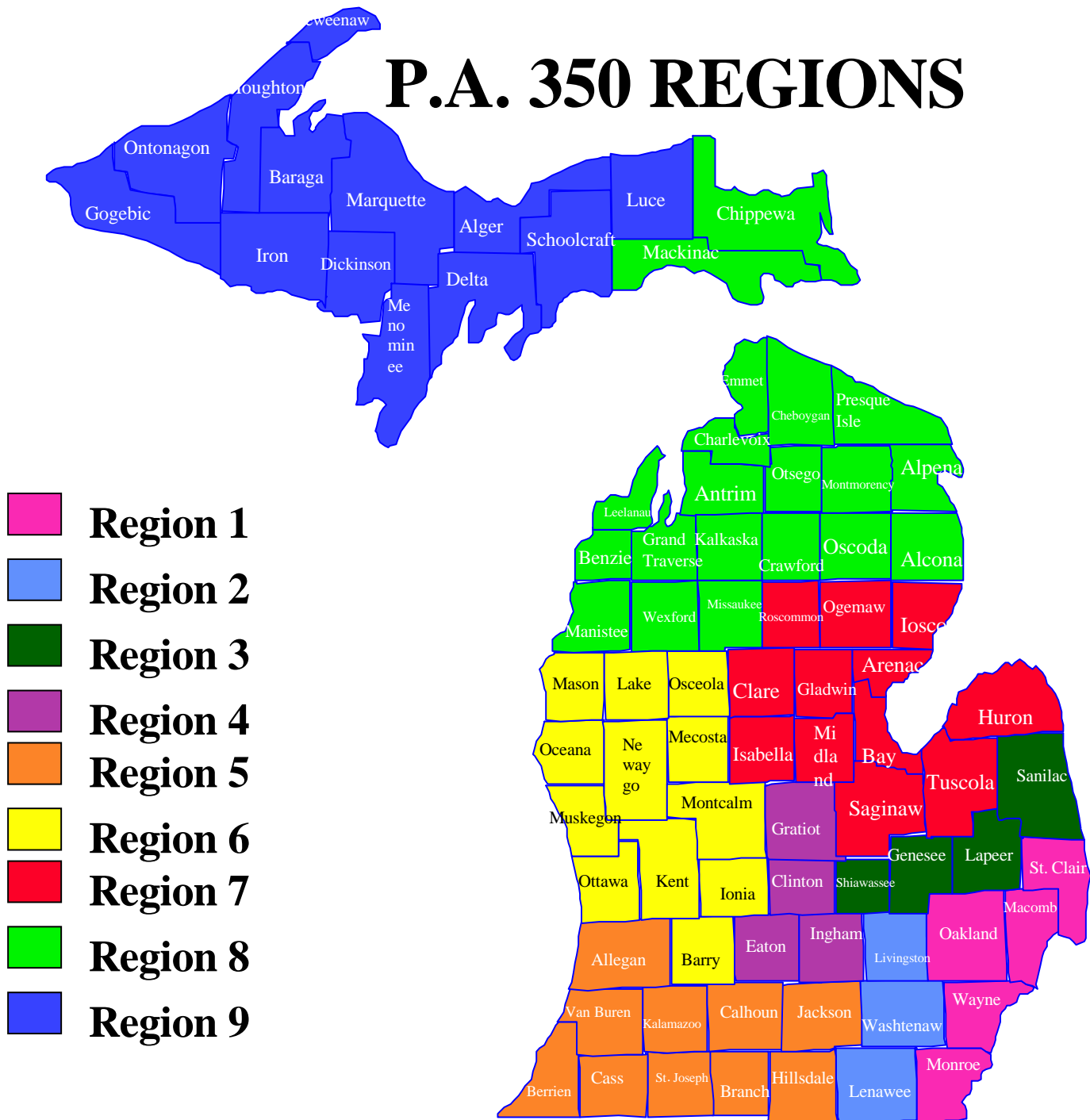
Year	Region	Payments	Services	Members	Per 1000 Members		
					Payment	Services	Pyt/Svc
2002	1	\$734,061,877	15,136,059	1,088,666	\$674,277	13,903	\$48.50
2002	2	\$85,441,790	1,611,514	138,329	\$617,671	11,650	\$53.02
2002	3	\$84,025,321	1,713,944	153,965	\$545,744	11,132	\$49.02
2002	4	\$67,695,673	1,338,135	124,972	\$541,689	10,708	\$50.59
2002	5	\$128,591,115	2,674,222	251,212	\$511,884	10,645	\$48.09
2002	6	\$146,934,844	3,067,877	300,899	\$488,319	10,196	\$47.89
2002	7	\$104,946,416	2,206,520	202,384	\$518,551	10,903	\$47.56
2002	8	\$104,772,403	2,078,142	186,944	\$560,448	11,116	\$50.42
2002	9	\$39,075,656	820,712	87,940	\$444,344	9,333	\$47.61
Total		\$1,495,545,095	30,647,126	2,535,310	\$589,886	12,088	\$48.80

Appendix C25
Pharmacy Provider Class – Retail
Administrative Service Contracts, by Region

Region	2004			2003			2002		
	ASC Payments	Total Payments	ASC %	ASC Payments	Total Payments	ASC %	ASC Payments	Total Payments	ASC %
1	\$436,205,199	\$721,811,840	60.4%	\$507,843,659	\$789,768,171	64.3%	\$ 434,602,478	\$734,061,877	59.2%
2	\$44,622,322	\$87,813,838	50.8%	\$45,387,026	\$85,929,895	52.8%	\$ 44,099,416	\$85,441,790	51.6%
3	\$37,293,470	\$88,313,376	42.2%	\$38,392,864	\$89,194,465	43.0%	\$ 34,198,520	\$84,025,321	40.7%
4	\$23,454,527	\$65,529,996	35.8%	\$25,395,092	\$66,476,085	38.2%	\$ 29,386,713	\$67,695,673	43.4%
5	\$61,418,464	\$141,646,156	43.4%	\$50,466,125	\$131,990,425	38.2%	\$ 49,421,865	\$128,591,115	38.4%
6	\$60,593,958	\$145,733,636	41.6%	\$60,373,973	\$147,086,802	41.0%	\$ 57,960,924	\$146,934,844	39.4%
7	\$46,862,880	\$109,340,236	42.9%	\$46,745,761	\$108,481,244	43.1%	\$ 44,045,509	\$104,946,416	42.0%
8	\$41,253,156	\$98,930,547	41.7%	\$44,032,968	\$103,488,947	42.5%	\$ 42,226,328	\$104,772,403	40.3%
9	\$15,340,082	\$37,630,836	40.8%	\$16,351,954	\$39,165,909	41.8%	\$ 16,542,023	\$39,075,656	42.3%
Total	\$767,044,058	\$1,496,750,461	51.2%	\$834,989,423	\$1,561,581,943	53.5%	\$752,483,775	\$1,495,545,095	50.3%

APPENDIX D

P.A. 350 REGIONS



APPENDIX E – Participation Agreements (Attached)

- Traditional Rx Pharmacy Participation Agreement for Independent and Chain Pharmacies and amendments
- Pharmacy Benefit Manager Master Agreement as amended and restated January 1, 2000 including addendum effective January 1, 2003